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Agricultural
Resource
Management
Survey (ARMS)

Phase III – Cost and Returns
Report

Interviewer's Manual

Chapter 1 - General

Purpose

Data collected in the Agricultural Resource Management Survey (ARMS) is the primary source of information to the U.S. Department of Agriculture on a broad range of issues about agricultural resource use and costs, and farm sector financial conditions. The ARMS is the only source of information available for objective evaluation of many critical issues related to agriculture and the rural economy.

The ARMS design is intentionally flexible to address policy relevant to resource use or financial issues and topics of current interest. For example, commodity versions are rotated to focus on resource use and production costs for specific commodities.

Data Collection Phases

Annually the ARMS collects production practices and cost of production data on selected commodities. The ARMS also collects detailed whole farm financial information from a representative sample of farms and ranches across the country. To accomplish this, the ARMS is conducted in three data collection phases. In many ways, the three phases can be viewed operationally as independent surveys. However, the power of the ARMS design is the data between phases are related and can be combined and analyzed as described above.

The initial phase, (Phase I), conducted from May through July, collects general farm data such as crops grown, livestock inventory, and value of sales. Phase I data are used to qualify (or screen) farms for the other phases.

The second phase (Phase II), is conducted from September through December. This phase collects data associated with agricultural production practices, resource use, and variable costs of production for specific commodities.

The final phase (Phase III), which is the focus of this manual, is conducted from January through April. Phase III collects whole farm finance and operator characteristics information.

Respondents sampled for the Production Practices and Costs Report (PPCR) in Phase II will be asked to complete a Phase III report to obtain financial, resource use, and cost of production data for the entire operation. It is vital that both the Phase II and Phase III questionnaires be completed for these operations. Data from both phases provide the link between agricultural resource use and farm financial conditions. This is a cornerstone of the ARMS design.

Uses of ARMS Data

Farm organizations, commodity groups, agribusiness, Congress, State Departments of Agriculture, and the USDA use information from ARMS to evaluate the financial performance of farm/ranch businesses and to make policy decisions affecting agriculture. Specifically, the ARMS:

- gathers information about relationships among agricultural production, resources, and the environment. ARMS data provide the necessary background information to support evaluations of these relationships. The data are used to understand the relevant factors in producing high quality food and fiber products while maintaining the long term viability of the natural resource base.
- determines what it costs to produce various crop and livestock commodities, and the relative importance of various production expense items.
- helps determine net farm income and provides data on the financial situation of farm and ranch businesses, including the amount of debt. ARMS data provide the only national perspective on the annual changes in the financial conditions of production agriculture.
- provides the farm sector portion of the Gross Domestic Product (GDP) for the Nation. If ARMS data were not available, the Bureau of Economic Analysis (BEA) would have to conduct their own survey of farm operators to collect this data.
- helps determine the characteristics and financial situation of agricultural producers and their households, including information on management strategies and off-farm income.

In general, farmers benefit from ARMS data indirectly. They see the information through contact with extension advisors, in reports issued by State colleges and universities, in farm magazines, newspapers, and on radio or TV broadcasts. Most respondents probably do not realize the data come from the ARMS.

Farm/Ranch Income

Collecting farm/ranch production and expense data to develop an estimate of net farm income each year is necessary because both receipts and production expenses change as production and prices change and as farmers/ranchers use more or less of inputs such as fertilizers or chemicals. Since farmers/ranchers buy most of their inputs, data must be collected every year to obtain accurate estimates of annual expenses.

Throughout the year, the prices farmers receive for their commodities change in response to weather and any number of economic and other national or international events. The ARMS data are used daily to describe the impact these changes have on the financial health of different types and sizes of agricultural operations. The ARMS is the only national source of data available to evaluate and respond to these kinds of information needs.

Drought, flood, hail, insects or outbreaks of disease may impact specific geographic areas while the rest of the country is unaffected. Therefore, it is important to monitor the health of the agricultural economy by region, as well as by size and type of operation.

Numerous requests to USDA's Economic Research Service (ERS) are made from Congress throughout the year to characterize the financial position of various groups of farmers. ARMS data are the only means of answering many of these questions.

The USDA links receipts and expenses associated with the production and sale of agricultural commodities to measure profit or loss over a calendar year. Two measures of **NET** farm income are developed. First, a net cash income measure shows the difference between the cash earnings and expenses of the operation. Second, the estimate of net cash income is adjusted to show how depreciation and changes in the operation's crop and livestock inventory affect earnings.

Components of gross income, such as net rent received and custom or machine work, also change annually as cash and share rents adjust in response to market conditions or government programs. Custom work and machine hire are directly affected by weather and other natural events which are unpredictable. These income items are measured through the ARMS. ERS publishes farm income estimates monthly in the Agricultural Outlook magazine and in the quarterly report on Agricultural Income Situation and Outlook, both of which are available by subscription. Summaries are available free of charge on the Internet.

Cost of Production

Congressional mandates exist for the development of annual estimates of the cost of producing wheat, feed grains, cotton, tobacco, and dairy commodities.

To ensure accurate and reliable estimates, a comprehensive survey is needed to obtain data on production practices and the amounts of inputs used. Estimates of crop and livestock costs and returns provide a basis for understanding changes in the relative efficiency of crop and livestock production and the break-even prices needed to cover all costs. The ARMS provides the data needed to develop "enterprise" budgets showing costs and input use by size and type of farm in different regions of the country. An "enterprise" is the portion of an operation's resources devoted to producing a specific commodity.

Many operations have more than one enterprise, such as a wheat enterprise and a beef cattle enterprise. Enterprise inputs include machine operations, fertilizer, labor (both paid and unpaid), and irrigation.

The ARMS is designed so the whole farm production expenses, crop and livestock receipts, and organizational characteristics may be analyzed along with the individual enterprise costs of production.

Balance Sheets

Responses to ARMS questions about farm assets and debts are used to develop a balance sheet for the farm as well as to provide a variety of financial ratios for use in measuring financial performance.

Changes in the level of income earned affect rates of return and net worth. Purchases and sales of assets such as buildings, machinery and land, changes in their value, and any associated debt are very sensitive to changes in farm earnings and economic performance as well as to changes in the general economy. The balance sheet can change rapidly from one year to the next and can be adequately monitored only through data collected on an on-going basis. Balance sheet analysis helps identify areas of poor financial performance and pockets of potential financial stress. The ARMS provides the data necessary to develop annual estimates of the farm operation's assets, debts, equity, capital gains, capital flows, and the rates of return to agricultural resources, and to determine how these items (and farm household finances) change from one year to the next.

Financial Situation

Annual information from the ARMS on receipts, expenses, debts and assets is needed to evaluate the financial condition of farm businesses. The Office of the Secretary of Agriculture, Congress, agricultural groups, and the public look to NASS and ERS for reliable, up-to-date information on the financial performance of farms/ranches by size, type, and region.

Financial condition analyses involves the ability of an operation to pay bills as they come due. The ability of a farm business to meet financial obligations depends on the amount of debt owed by the farm and the amount of cash receipts and other income available to meet mortgage, interest and other obligations of the farm. Being able to pay operating costs and the interest and principal due on debts can change very rapidly because of drought, flood or other circumstances. With ARMS data, the extent and seriousness of financial problems facing farmers are assessed, including the likely consequences of recurring financial stress.

The 2002 Farm Bill includes a provision for USDA to provide a report on the effects that payments under production flexibility contracts and market loss assistance payments have had, and that direct payments and counter-cyclical payments are likely to have on the economic viability of producers and farming infrastructure not later than 80 days after the date of the enactment of the act. Beyond this report, each year agricultural policy makers and other interested parties are concerned about the financial well being of the agricultural sector, farms, and farm households and whether farm programs are providing the level of support as expected during times of need. Also of concern is whether or not program benefits are fairly distributed according to need by farm size, farm specialization, and farm production region. ARMS data is used by ERS to address these and other issues.

Operator Household's Situation

Farm operators and their households are of special interest for policy purposes because they incur nearly all of the risks of farming and are directly impacted by government agricultural policies.

Most farms in the U.S. are organized along the traditional lines of one family, or one extended family, operating the farm. However, the largest producing farms are often operated by several partners or shareholders, each of whom receives a share of the profit (or loss) of the business. In addition, the majority of farms are small and, on average, lose money. Households operating small farms rely heavily on off-farm income. Thus, it is necessary to understand the complex relationships between the farm business and the farm household and between farm work and off-farm work to accurately describe U.S. agriculture today.

Farm/ranch operators and their households do not depend solely on income from the farm/ranch business. Off-farm work is critical to the financial well-being of many farm households. Past surveys have shown that:

- 90 percent of all farm households have at least one member who receives some off-farm income.
- 60 percent of all farm households have a member who earned income from off-farm wages or salary.
- more than half of farm operators have a non-farm occupation as their major occupation.
- only 20 percent of farm operator households received more income from the farm than off the farm.
- the average household income of farm operators is similar to the average income for all U.S. households.

Policy makers need to know that large numbers of farm households rely on off-farm employment. Local current economic conditions, coupled with the geographic isolation that often exists, pose serious obstacles for the farm household which would like to maintain its farm lifestyle by earning more stable off-farm income. The ARMS is the only national data source that provides the type of information necessary to study these non-traditional financial conditions of farmers.

Use of ARMS Data for Parity Prices

ARMS information on farm expenses describes the relative importance of production inputs used by farmers. These data are used to update the prices paid index for commodities, services, interest, taxes and wage rates, known as the parity index. This index helps determine the parity price for over 100 agricultural commodities.

Parity prices have been a part of farm legislation for over 50 years. In 1938, the Agricultural Adjustment Act established that parity prices be computed for agricultural commodities.

Publication of ARMS Data

It is impossible for a market to operate efficiently without access to accurate and timely information. As with all USDA reports everyone, from the smallest farmer to the largest agribusiness firm, has free and equal access to the results from this survey. This access to information allows farmers to stay on equal footing with agribusiness firms and others who market agricultural commodities.

New technologies make accessing information much easier than ever before. Many farmers now have a computer and may access these data on the Internet. Internet access is also available at many public libraries. Reports and tables using ARMS data can be downloaded from the NASS and ERS World Wide Web home pages on the Internet.

The NASS home page address is: <http://www.usda.gov/nass>

The ERS home page address is: <http://www.ers.usda.gov>

NASS publishes two reports from ARMS. The first one is called Agricultural Chemical Usage - Field Crops. This report, from data collected in the 2005 ARMS Phase II, will be released in May 2006. The second report is the Farm Production Expenditures. The report, compiled from the 2005 ARMS Phase III will be released in August 2006. This report will show expenditures for the U.S., 20 farm production regions (which include 15 States), 7 U.S. economic sales classes, and U.S. crop and livestock farms. Most State offices use information from these two reports in preparing publications for their State.

ERS prepares several state, regional, and national reports as well as various independent statistics using ARMS data. These reports show operating and financial characteristics by type of farm, and by income and debt/asset categories. The reports are available to NASS State Offices to include in

State releases.

ERS publishes numerous reports using ARMS data including:

Annual Report to Congress on the Status of Family Farms

U.S. "Commodity" Production Costs and Returns

The Economic Well-Being of Farm Operator Households

Farmers' Use of Marketing and Production Contracts

Contracts, Markets, and Prices: Organizing the Production and Use of
Agricultural Commodities

ARMS data are also used to develop USDA's quarterly Agricultural Income
and Finance Situation and Outlook report.

Chapter 2 - Terms and Definitions

Enumerators working on the ARMS Phase III should be familiar with the definitions of the terms listed below. To gain the most benefit from training, enumerators should review the definitions of these terms before attending the State training workshop. A comprehensive list of Terms and Definitions used in all NASS surveys can be found on the internet under the following address: www.nasda.org/NASDA_NASS/index.htm

Under the heading "Education Materials" there will be a link for "Reference Materials" and then a link for "NASS Terms and Definitions." This link should contain the most recent list of terms and definitions used in all NASS surveys. This list should have been given to each new enumerator when they first got hired with NASDA.

Economic and Cost of Production Terminology

accounting, accrual	cash receipts
accounting, cash	cattle on shares
acreage base	check-off
acreage, eligible contract	commission charges
acreage, contract	commodity
acreage, noncontract	commodity, contract
agricultural commodity	Commodity Credit Corporation (CCC)
agricultural production	confidentiality
animal unit (AU)	Conservation Reserve Program (CRP)
animal unit month (AUM)	conserving use
aquaculture	contract
area sample	contract, delayed pricing
assessed value	contract, forward
assessments	contract, marketing
assets	contract, production
auction pool	contract sale
balance sheet	contractee
barrel (bbl)	contractor
base acreage	Cooperative State Research, Education, and Extension Service (CSREES)
BLM	corporation
borrowing capacity	cover crop
call back	
carryover	
cost of production	

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cropland	date, release
crop rotation	depreciation
cull	direct sales
	discount
date, due	double crop
date, mailing	drip irrigation
date, reference	
editing	government program land
EIN	grazing land association, public
Environmental Quality Incentives Program (EQIP)	or industrial (PIGA)
equity	grazing allotment
estate	grazing association
expenditure	grazing fee
expenses, capital	greenhouse
expenses, operating	gross value
expenses, production	
	harvested acres
fallow	hay
farm	hedging
farm, contract	herbicide
farm, corporate	hired manager
farm, institutional	household
farm, noncontract	hundredweight (cwt)
farmstead	
Farm Service Agency (FSA)	idle land
Federal Agriculture Improvement and Reform (FAIR) Act	implement
feeder	improvements
fertilizer	inaccessible
field	income, gross farm
financial health	income, net cash farm
finish	income, net farm
flat	income, non-farm
flexibility contract, 7-year production	income, off-farm
flexibility contract	input
forage	input provider
forward pricing	
free-of-charge	landlord
fringe benefits	landlord, non-operator
futures market	landlord, operator
loan, marketing assistance	liability
	liquidity
	loan, marketing
	loan, nonrecourse

market value	production flexibility contract
military time	production flexibility contract payment
Natural Resources Conservation Service (NRCS)	questionnaire
net worth	rangelands
nonresponse	ratio, debt-asset
nursery	ratio, parity
	real estate
oilseed crops	refusal
on feed	rent
	rent, cash
operating arrangement	rent, share
(1) individual	respondent
(2) managed	retired
(3) partnership	
operator	salary
orchard	sample, list
out-of-business	sample, multi-frame
	sample, probability
partner	sampling frame
pasture	sampling unit
patronage refund	secondary name
payment, advanced	seed
payment, cost-share	sharecropper
payment, disaster	shrinkage
payment, final	small grains
payment, incentive	solar energy
payment, loan deficiency	sold-out
payment, transition	solvency
payment limitations	straw
payment quantity	subsidy
payment yield	survey
pesticide	survey period
planting flexibility	survey, statistically defensible
pick your own (U-Pick)	
power-take-off (PTO)	tenant
premium	
primary name	wages
processor	water rights
production expenses	wetlands
Wetland Reserve Program (WRP)	woodland

work, agricultural
work, contract
work, custom
work, service

worker
yardage

Chapter 3 - Survey Procedures

This chapter provides an overview of the questionnaire and other materials for the ARMS Phase III, and general guidelines for collecting data. Administrative matters are covered in the *NASDA Employee Handbook*.

Survey Materials

You will receive the following from your State Office:

- Copies of pre-survey publicity materials mailed to each respondent.
- Questionnaires with labels identifying the assigned operations.
- Extra questionnaires without labels.
- Respondent Booklets containing Code tables and a burden statement.
- Supplements and Inserts for questionnaires you are assigned.
- Envelopes for mailing completed questionnaires.
- Several copies of NAS-011 (Time, Mileage, and Expense Sheet) and envelopes for mailing them.
- Other materials may also be provided by your State Office.

You should have these materials on hand:

- Interviewer's Manual
- Highway and/or street maps
- Black lead pencils
- Name tag
- NASDA Identification Card
- NASDA Employee Handbook
- Ball point pen for completing NAS-011
- Calculator
- Clipboard

Questionnaire Versions

Five questionnaire versions will be used in the 2005 ARMS Phase III. The Costs and Returns Report (CRR), Version 1, will be used in all states except Alaska and Hawaii. Nineteen States (CO, GA, IL, IN, IA, KS, KY, MI, MN, MO, NE, NY, NC, ND, OH, PA, SD, TX, WI) will be included in the corn sample, Version 2. The Version 3 oat sample will consist of 12 States (IL, IA, KS, MI, MN, NE, NY, ND, PA, SD, TX, WI). The Version 4 dairy sample consists of 24 States (AZ, CA, FL, GA, ID, IL, IN, IA, KY, ME, MI, MN, MO, NM, NY, OH, OR, PA, TN, TX, VT, VA, WA, WI). And the Version 5 Core sample will be in 15 States (AR, CA, FL, GA, IL, IN, IA, KS, MN, MO, NE, NC, TX, WA, WI).

<u>Version</u>	<u>Color</u>
V1 – Costs and Returns Report (CRR)	White
V2 – Corn Costs and Returns Report	Ivory
V3 – Oat Costs and Returns Report	Canary
V4 – Dairy Costs and Returns Report	Tan
V5 – Core	Green

Versions 1, 2, 3, & 4 have a Face Page which identifies the selected operator and partners. Pre-screening of respondents was done during Phase I. Any previously reported data from Phase I that is again asked in Phase III, should be printed next to the question in the questionnaire. Screening is discussed in Chapter 4 of this manual.

Respondent Booklets

The purpose of the Respondent Booklet is to help the respondents in answering the questions. Respondent Booklets contain information respondents need to reference when answering some survey questions, such as Code Lists and more detail on some items. In many cases, this information does not appear in the questionnaire. Using the Respondent Booklets can prevent confusion and save interview time.

The respondent may need help in becoming familiar with how to use the booklet. Take a minute and help familiarize the respondent with how to use the booklet. This will make the interview go more smoothly.

Some lists in the Respondent Booklet are there to let the respondents know what types of items we are looking for in response to certain questions. For example, the list of “Other Farm Assets” helps the respondent understand all of the Items he should consider when answering the question.

Respondent Burden

Headquarters recognizes that ARMS III poses a heavy burden on respondents. The Sample Design Section goes to extra lengths to minimize the burden on respondents in terms of multiple contacts per year and consecutive contacts from one year to the next for ARMS III. For the list sample, a special burden reduction procedure is used prior to selecting the ARMS screening sample to minimize most overlap with other major surveys (Crops/Stocks, Hogs, Cattle, Labor), as well as ARMS from the previous year. However, there are situations where duplication with other major surveys is unavoidable. Therefore, it is imperative for States to identify overlap among surveys and coordinate data collection activities. Area records are needed to complement the list sample and provide good, quality, financial data from all types of farms. Due to the need of area records to complement the list and the fact that the area sample respondents are a sub-sample of the June Area Survey, the extra burden of multiple contacts within a year is unavoidable.

You will reduce the reporting burden on the respondent if you are thoroughly familiar with the questionnaire and instructions. Follow “go to” instructions carefully to avoid asking questions needlessly. If no “go to” instructions appear after an Item, continue with the next item.

Also be aware of the estimate of average completion time in the burden statement for each version. Depending on the version, this figure is either the actual average time from previous interviews or what NASS and the Office of Management and Budget (OMB) think the average completion time will be. The OMB is an agency that is required to review and approve all surveys conducted by the federal government.

At the end of the interview, call the respondent's attention to the Burden Statement on the Respondent Booklet.

Entering Data

Use a black lead pencil to record data and make notes; never use ink on a questionnaire. Make all entries clear and easy to read. Entries in check boxes and Item Code boxes must be entirely inside the boxes.

Record responses in the unit required (such as acres, bushels or dollars). If a respondent gives an answer in a different unit, write the answer outside the printed box, convert it to the required unit, and record the converted data in the box. If the answer is "none", enter a dash, not a zero (unless instructions indicate to enter a specific Code to indicate none or zero, such as when using Value Codes).

Record data to the nearest whole number, unless a decimal point is printed in the box. Locate numbers correctly in relation to decimal points, and fill in every space printed after the decimal. Use zeros as fill when answers are not given to as many decimal places as required, or are given in whole numbers.

If answers appear unreasonable but really are correct, make notes in the margins, or notes pages to explain. Do not write notes or make unnecessary entries in answer boxes.

Planning Your Work

The operator or operation name, mailing address and identification number are on the questionnaire label, along with any other information the State Office has that might be helpful.

Mark the location of each operation assigned to you on a map before you begin the survey. Show the location by a small circle with the ID number or target operator name (or operation name) written beside it. Use this map to plan your daily travel; this will help keep travel expenses down and save time.

You may need to ask Post Office staff or Farm Service Agency (FSA) employees for directions to some operations. Try to do this early in the survey so you can put the information on your map as soon as possible. Tell your supervisory enumerator (or the State Office if that is what you are instructed to do) about any operator whose home or office you cannot locate.

Interviewing

Interview the farm operator, if possible, because information collected from other people often is less accurate. However, if the operator says someone else is more knowledgeable, interview that person.

The ARMS Phase III is very detailed which requires the majority of interviews to be completed in person. It is advisable to call or visit each respondent early in the survey period to setup an appointment to complete the interview at his/her convenience. During this initial contact, explain the survey purpose and importance, the scope of the interview, and that it will be necessary for them to have their farm records available during the actual interview.

If the operator will not be available before the survey is over, try to interview someone who is well informed about the operation. A partner, family member or hired person may know enough about the aspects of the farm operation covered in the questionnaire to give you the information needed.

The NASS rule-of-thumb is to make up to three visits (the first visit plus two call backs) if necessary, to get an interview. If you have an appointment or information from a neighbor on when to try to reach the operator, obviously you should return then. If not, make each visit at a different time of the day.

Respondents often ask how long the interview will take. Never contradict the burden statement; however, it is okay to add to it. For example, you might say something like this: "The official nationwide average for this survey is 90 minutes, but the interviews I have done in this area averaged about __ minutes." Be honest about the average time, even if your interviews are averaging longer than the time estimate in the burden statement.

Put the respondent at ease about time and burden. Respondents are often not experts about their own finances and may not have their records in order. Because you know the survey questions well, you will be able to help farmers find most of the information in their books or records. Make sure they understand you are helping them find the answers, not quizzing them on their records. Your expert knowledge of this survey will help minimize their effort while maximizing the quality of the data collected.

Encourage respondents to have their farm records at hand. If records are used, accurate information will be readily available and answering will take less interviewing time.

Always begin by reading questions exactly as they are worded in the questionnaire. You may also use any optional wording or explanations printed in the questionnaire. If the respondent still does not understand, or asks you to explain, then use what you learned in training and information from this manual to explain what is needed.

Ask questions in the order they appear in the questionnaire. Do not skip any questions unless instructions allow you to do so. Sometimes respondents will volunteer information you need later in the interview. When you get to a question the respondent already answered, take the opportunity to verify the information. Say something like, "I think you told me this earlier, but let me be sure I got it right." And then ask the question. This shows the respondent you were paying attention earlier and that you want to get things right.

Sometimes you will need to probe in order to get an adequate answer to a question. You should probe when:

- the respondent cannot answer the question,
- the answer is not exact enough to record,
- the answer may be incorrect because it does not fit with the information already obtained, or
- you think the respondent did not understand the question.

The purpose of probing is to verify unusual data or to correct misreported data. Be careful when you phrase your probing questions that you do not influence the respondent's answers. Probes should be "neutral". That is, they should not suggest one answer over another. In fact, all questions should be asked in a neutral manner. Do not say things like, "What do I mean by marketing contracts? Oh, you must not have had any, did you?". Instead, say, "During 2004, did this operation have any livestock marketing contracts for livestock raised?"

In another example, if a respondent tells you an expense is between two amounts, such as, "Oh, I guess the total was between two and three hundred dollars," you should ask, "Would you say it was closer to \$200 or \$300, or

what amount exactly?”. Probing is especially important early in the interview when the respondent is ‘learning’ from you what level of effort and accuracy are ideal. If you fail to probe, you may be suggesting that good answers are not needed.

Strike a balance between motivating the respondent to search out sound numbers and taxing the respondent to account for every nickel. Probes should also be “non-threatening.” Be careful you do not appear to be questioning or challenging the respondent’s answers. Do not say, “That can’t be right! You just said you had 20 pigs, so your vet expense couldn’t have been that high!”. Instead, say, “Earlier you said that you had 20 pigs in 2005. Can you tell me why your vet expenses were so high?”. And then make notes of the respondent’s answer.

The importance of good notes cannot be overemphasized. Notes are especially important when you find unusual situations or the respondent explains why information that seems incorrect actually is correct. Good documentation saves the State Office from having to re-contact the farmer to confirm the accuracy of the data. Also write down any complicated calculations you make to come up with an answer. These notes will help the survey statistician understand this operation when reviewing the questionnaire. Make sure the notes are clear and can be read. Never erase a note unless it is wrong! **Notes can be the single most valuable editing tool available to the office statistician.**

After completing each interview, be sure to review the questionnaire while the interview is still fresh in your mind:

- check all the answers for correctness and completeness,
- double-check your calculations, and
- make sure your notes are legible and make sense.

Fiscal Year Versus Calendar Year

The questionnaires are designed to collect expenses and income for the calendar year. However, some farm businesses keep their books on a fiscal year basis, such as October 1 - September 30. In these cases, collect information for the operation's 2005 fiscal year and make a note on the questionnaire indicating the time period of the operation’s fiscal year.

Nonresponse

If an interview cannot be conducted, explain why on the questionnaire. Make a note about whether the operation appears to be a farm and any other information you think might be helpful to the State Office.

Most farmers are willing to cooperate on NASS surveys, but in every survey some will refuse to do so. The key to reducing the chances of getting refusals is to be courteous and friendly, but persistent. Most respondents will greet you with basic questions about the survey. Be prepared to answer their questions confidently and concisely. Respondents will want to know what the survey is about, how long it will take and why they should report. You should develop and practice an introduction with which you feel comfortable. Your introduction should explain the purpose of the survey, the need for accurate agricultural statistics, and the confidentiality of the data. Make use of materials on the survey purpose provided at your State training workshop.

Above all, do not become discouraged when you get a refusal. Stay in touch with your supervisor. Continue to meet farm operators with ease, friendliness and optimism as you contact other respondents in the sample.

Supervision

Your supervisory enumerator will set up an appointment to meet with you early in the survey. This visit will help you get off to a good start by spending some time to review a few of the interviews you have completed. Hold all your completed work until this review takes place unless you are instructed to do otherwise.

Your supervisory enumerator, or someone from the State Office, will contact a few of your respondents to conduct a quality check. The quality check will verify that you spoke with the person named in the questionnaire and that the respondent understood the survey procedures.

Completed Questionnaires

Turn in your completed questionnaires according to the instructions you receive from the State Office. If you think that under these procedures the last few questionnaires you complete might not reach the State Office before the final due date, call your supervisor.

Keep a record of when you complete each questionnaire and when you passed it on to your supervisor or mailed it to the State Office. This will help the office locate survey materials if they are delayed.

Chapter 4 - Face Page and Screening

FACE PAGE

Introduction

Before approaching the farm operator, develop and practice an introduction with which you are comfortable. In the introduction include who you are, whom you represent and the purpose of the survey. Become familiar with the information in Chapter 1 of this manual and be prepared to answer general questions about the survey.

During your introduction, be sure to remind the respondent that all the data are confidential and used only in making state, regional and national estimates. In preparing for the interview, mention that using farm financial records (including milk checks, co-op statements, FSA records, etc.) are extremely helpful. These records do not have to be in perfect order to be useful. Make sure the respondent knows you will be conducting several of these interviews so you know the Questionnaire very well and will help them find the answers in whatever records are available.

Often when making the initial contact on this survey, you are only setting up an appointment to complete the Questionnaire at a later date. If the State Office has included a Screening Supplement with a particular Questionnaire **it is best to complete it on this first contact**, because you may find out information about the operation you need to discuss with the office. This procedure gives you plenty of time to contact the office before doing the full interview. Account for the screening time in notes so interview beginning or ending time can be adjusted to more accurately reflect total interview time.

Screening Information Forms

This year, most of the sampled respondents had interviews conducted to determine their status. Area frame records were screened during the June Ag Survey. The National Processing Center (NPC) will print any of this previously reported data in the Questionnaire, next to the appropriate Question. This pre-printed information on this form is used to help you make sure you are interviewing the correct sampled operation.

The pre-printed information will have the following from Phase I, or the June Area Survey (Area records):

- Who responded to the screening interview (operator, spouse, etc)
- All owned land
- All land rented to others
- All land rented from Others
- Total Acres Operated
- Total Cropland

These six items can be used during the ARMS interview in one or more of the following manners.

- You can ask the Question of the respondent, and compare their answer to the same item on the Information Form. If there is a discrepancy, verify that you have the correct answer.
- You can verify the information on the Information Form. For example, you may ask "I have this operation's total land owned as 250 acres. Is this correct?"
- You can fill in this information from the Information Form instead of asking the Questions.

In the future, we may use more information from previous data collections during the interview to make it easier and less time consuming for the respondent.

Beginning Time

Record the **beginning time** (military time) of the interview when the respondent agrees to cooperate on the survey and you actually start the interview. Interview times are used to find out how much respondent time we are using (as a measure of respondent burden) in collecting data. We are trying to reduce interview times as much as possible and still collect the high quality data that we need. Also, by using different versions each year, we need to estimate their interview times since we have no recent history.

Name, Address, and Partners Verification -- LIST

Questionnaires will be pre-labeled with names and addresses. If the first line (primary name line) of the label after the identification number line has an individual name (JOHN SMITH), this is the target name, (unless the OpDomStatus is 99). If the first line contains a combination of individual names (JOHN AND BILL SMITH) or an operation name (SMITH FARMS), then the name on the next line (the secondary name line) is the target name. If the OpDomStatus is 99, then the operation named on the primary name line is the target. *When OpDomStatus= 99, the operation name is the key.*

Remember: The target name NEVER CHANGES. The person actually operating the farm (the farm operator) may change, but the selected target name is always the person identified on the label.

The first thing you will do is verify the operator's (or operation's) name and address, and the names and addresses of any known partners. If there are partner labels, be sure the partner names and addresses are correct, and all partners are listed. Mark through the names of any partners no longer involved in the operation. Add the names and addresses of any partners who are not listed.

Area Frame Sampled Operations

All of the area frame samples selected for the ARMS were identified as farm operators during the 2005 June Agricultural Survey.

In the ARMS we are interested in the operation the way it existed on June 1, so ignore any changes that have occurred in the operation since June 1. For example, if the tract was individually operated in June and changed to a partnership in September, collect data for the individual operation for the

time it existed (January through August). Do not collect any data for the partnership. Collect data for the operation as it existed on June 1.

We know that by using this rule we will lose some data for those few farms or ranches that were formed after June 1. However, there usually are not very many of these operations and they are generally relatively small. Therefore, they would not have much impact on the overall estimates from the survey

If you find out an error was made in June (the operating arrangement was incorrectly identified), make notes to explain the error, but complete the Questionnaire for the operation **as it actually existed on June 1**. *If you have time between your first contact with the respondent (when you find out the June report was wrong) and your appointment to complete the ARMS interview, call the State Office and let them look up the corrected operating arrangement. If it is overlap with the List, you will not have to do an interview.*

Screening Box on Face Page

If a Question or problem exists with the operation description information collected during Phase I, the State Office will want you to complete the Screening Supplement. This may be because the screening data were collected from someone other than the operator on Phase I, or incomplete information was obtained on Phase I.

If a Code "1" has been entered in the Screening Box on the Face Page of the Questionnaire, the office will have included a Screening Supplement with the Questionnaire for you to complete for this operation.

If the Screening Box is not coded, begin the interview with Section A

Completing the Screening Supplement

Farm operations in each state were sampled for the ARMS based on List Frame information about crop acreage, livestock inventory, and an estimated gross value of farm sales. Agri-business firms and agricultural services that do not have crops or livestock of their own should have been excluded from the sample, but it is possible some records were misclassified. Screening Questions determine the eligibility of the selected name for this survey.

Institutional (Abnormal) farms such as prison farms, private or university research farms, not-for-profit farms operated by religious organizations, and Indian reservations are out-of-scope for ARMS and should be excluded from the survey. If your assignment includes any of these farms, notify your supervisor or the survey statistician.

If an operation was in business during part of 2005, but went out of business during the year, **complete a Questionnaire for the part of the year during which the operation did business**. If the operation was taken over by another operator or operation when it went out of business, make a note of this. This note should include a name, address, phone number and any other pertinent information.

Item 1 – Other Operation Name

Even though you have already verified the label, you need to ask this item to detect duplication and make sure the List is up-to-date. Indicate if this name should appear on the label in the future.

Item 2 – Crops, Livestock or Poultry

Check YES if the operation grew any crops (field crops, fruit/nut crops, vegetables, oilseeds, specialty crops, hay, etc.) or had cattle, hogs, sheep, poultry or other livestock during 2005, on the total acres operated. If YES, go to Item 6. If NO, continue with Item 3.

For an operation to qualify as growing a crop, the operator must have made the decisions on planting, caring for and harvesting the crop.

Include: field crops, fruit and nut crops, vegetables, mushrooms, flowers, nursery stock, greenhouse crops, hay, Christmas trees, etc.

Exclude: home gardens and crops received in 2005, as payment for land rented to someone else.

This screening question would also be checked YES if the target name had any livestock or poultry, regardless of ownership, on the total acres operated at any time during 2005.

Include:

- 1) all cattle, hogs, sheep, equine, goats, chickens, turkeys, ducks, geese, bees, rabbits, mink or other fur bearing animals, and fish that are raised commercially or for home consumption. FFA and 4-H livestock projects should also be included.
- 2) operations that own five or more pleasure horses and no other agricultural items.

Exclude:

- 1) operations that have ONLY FOUR OR LESS pleasure horses, and any number of other animals kept only for pleasure use or as pets, but no other agricultural items.
- 2) horse boarding operations, riding stables, or race horse training operations that
 - a) do not have other agricultural items (ie. has hay or breeds horses) unless they have more than 99 acres of pasture, or
 - b) that keep separate accounting books from the farming operation's accounting books. If the horse boarding, riding stable, or race horse training operation's income and expenses can be broken out from the traditional agricultural enterprises' income and expenses, exclude the horse boarding, riding stable, or race horse training operation.
- 3) Slaughter or packing houses, auction barns, stockyards or order buyers. These operations have livestock which are committed for slaughter. The presence of these livestock alone does not qualify an operation for the survey.

Item 3 – Sales of Agricultural Products or Receipt of Government Agricultural Payments

Include sales of crops, livestock, aquaculture and other products from the total land in the operation. Include any government payments received under the 7-year market transition program, conservation programs, etc.

This item should be answered NO when the respondent is a landlord who sold agricultural products from or received government farm payments only for land which was rented out.

If this item is checked YES, go to Item 6.

If Items 2 and 3 are both NO, continue with Item 4.

Item 4 – Out-of-Business Determination

This item determines if anyone else is now operating the land formerly operated by the target name on the Face Page. Ask this item only if the respondent answered NO to Questions 2 and 3. If another operation has taken over from the target name on the label, record the name of the operator or operation now operating the land.

This item gives us information needed to update the List Frame when operations have gone out-of-business. Record the name, address, and phone number (if available) of the individual or operation now operating land that used to be operated by the target name

If the respondent answers NO to this item, probe to determine what happened to the land and make notes.

Item 5 – Enumerator Action

These instructions only apply in rare cases where the selected target name is out-of-business. If the answer to items 2 and 3 are both NO:

- On the Screening Supplement, enter Code '9' for the Reporting Unit in item 6 (cell 0921).
- On the Face Page of the Questionnaire, enter Code '1' in Cell 0006, if not already entered.
- Go to the Back Page of the Questionnaire, enter code '1' in cell 9901 and complete the Respondent Code, Mode, ending time, date, and enumerator ID information.

Item 6 – Decision-Maker For This Operation

We are interested in how the operation was managed on a day-to-day basis. We do not care what the legal definition of the operation is. Definitions of individual, partnership, and managed land can be found in the *Interviewer's Manual*. Landlord-tenant, cash-rent and share crop arrangements should not be considered partnerships.

When an individual operation is reported, enter Code "1". When a partnership is reported, enter the number of partners. Include the person listed on the Face Page and all of the other partners. If there are more than

5 total partners, consider this a managed operation and enter a Code "8".
When a hired manager is reported, enter Code "8".

Item 7 – Other Operations

This is a screening Question to find out if the target name made day-to-day decisions for any other operations in 2005. Each additional (non-managed) operation must be listed or verified on the back side of the Screening Supplement. The information collected on the Screening Supplement will be used to update your State's list sampling frame.

If the operator does not have other operations (Item 7 is NO)

If there were not any other operations, enter a "1" in Item Code box 0923, return to the Questionnaire and begin the interview.

If the operator has other operations (Item 7 is YES)

Item 7a – Total Number of Operating Arrangements

Enter the TOTAL number of operating arrangements, INCLUDING THE SAMPLED OPERATION LABELED ON THE FACE PAGE OF THE Questionnaire in Item Code box 0923. Entering a "2" indicates the operator makes day-to-day decisions for two operations (the one labeled on the Face page of the Questionnaire and one additional operation).

Item 7b – Identifying Additional Operating Arrangements

After entering the TOTAL number of operating arrangements in Item 7a, complete or verify the information for the second operation. If the operator had a third operation, complete or verify the information on an additional Screening Supplement for this operation. If the operation on the Face Page is still in business, then you will **complete the Questionnaire for the operation named on the Face Page of the Questionnaire.**

If the State Office already knows about additional operations associated with the target name, there should be additional screening supplements for these operations. Verify that the target name is still involved with each of these operations. Also, there may be partner labels for any or all of these operations. Verify the names and addresses of additional operations and partners associated with them. Mark out any operations the target name was not associated with in 2005. If any partner names are not listed, add them with complete name and address information.

If the target name is involved (either as individual operator or as a partner) with any other operations which are not listed on a Screening Supplement, record these. In the partner space record the names of all of the partners other than the target name associated with each of the additional operations.

Item 7c – Day-to-day Decisions for Additional Operations

For each of the additional operations, check the appropriate box to explain how the day-to-day decisions were made in 2005. We are interested in how the operation was managed on a day-to-day basis. We are not interested in the legal definition of the operation.

Special Situations - Managed Operations

Do not include any operation not already listed for which the target name is a hired manager.

A special situation exists if the operation on the Face Page of the Questionnaire is a managed operation. If the target name is still the hired manager, there is no problem; handle it as you would normally.

If the label for the operation on the Face Page is a managed operation and was still in business in 2005, under a new hired manager, you will contact the new hired manager and collect data for the operation named on the Face Page. You will also need to contact the original target name to verify the other operations listed, and if that originally selected target individual has any additional operations you will list them on one or more Screening Supplement(s).

Chapter 5 – Completing the Questionnaire

Section A – Land In Farm/Ranch Section Purpose

Section A has the following primary functions:

- (1) to measure the total land operated,
- (2) to determine the tenure arrangements and whether farmers are renting on a share, cash, or rent-free basis,
- (3) to account for rent paid on rented land,
- (4) to account for rent received on acres rented to others,
- (5) to classify the operation's farm type in terms of the largest portion of gross farm income.

Acres of owned and rented land are used to determine the total size of the farm under the operating arrangement identified on the label. Total acres are one measure of farm size used in reports and analyses. Knowledge of how much land is owned versus rented is the basis for studying farm tenure arrangements.

General Instructions for Items 1-4

Items 1-4 account for acres owned, acres rented from others, and acres rented to others by this operation at any time during 2005. Answers for these items are reported to the nearest whole acre.

For operations that were in business for only a part of 2005, collect data for the part of the year when it was still in operation. If the operation went out-of-business before December 31, 2005, end-of-year inventory values for crops in storage or livestock should be zero when you ask about these later in the interview. However, you will usually find fairly large amounts of cash or other assets such as land contracts due from sales of farmland. Exclude data for the part of the year that an operation was not in business including any income from renting the operation to others after this operation went out-of-business.

Sometimes an operator has several operating arrangements, such as an individual operation and a partnership operation. We have selected only one of the operations, so be sure the Questionnaire contains data only for the arrangement identified on the label.

INCLUDE:

- (1) all cropland, the farmstead, government program land, idle land, orchards, pasture, wasteland, wetland and woodland, regardless of location, if the operator made the day-to-day decisions for that land under the selected operating arrangement. Include land in another state that is part of the operation (if the operator made the day-to-day decisions for that land).
- (2) land worked by sharecroppers. Sharecropper operations are considered part of the landowner's operation. A sharecropper is a worker who furnishes ONLY LABOR (his own and often his family's) for a share of the crop. Sharecroppers generally furnish no machinery, seed, fertilizer, etc.
- (3) all land in the operation that is used by the operator's children for 4-H or FFA projects, if the operation's equipment is used.

Item 1 – Acres Owned

Include all cropland, the farmstead, government program land, idle land, orchards, pasture land, wasteland, and woodland. Include land that has the potential for growing crops or grazing livestock even if it was not used for agricultural purposes in 2005.

Include all land owned by the operation, the operator and/or partners, their spouses or children. Include land held under title, purchase contract, homestead law, or as part of an estate (if someone associated with the operation is an heir or trustee).

Exclude nonagricultural land separate from the operation (such as land in subdivisions, commercial buildings, timber, etc.) which is permanently out of agricultural use.

Sometimes you will find a situation where the operator (and/or partners) owns the land but has set up the operation so that the land is rented to the operation. This is done for tax and other financial benefits. When this occurs, do not include the acres the operation rents from the operator as owned acres. Treat them as you would acres rented from any other landlord, and be sure the amount of rent paid is recorded.

If the operator (as a landlord to the operation) paid some of the expenses, you should also handle them the same as for any other landlord. You will usually have to probe very carefully in these situations.

Item 2 (a,b,c,d) – Acres Rented From Others

There are four categories of rented acres: cash rented acres with the payment being a fixed amount are recorded in item 2a, cash rented acres with the payment being a flexible cash amount in item 2b, share rented acres are recorded in item 2c, and acres used rent-free are recorded in item 2d.

INCLUDE all land rented from private individuals, partnerships, corporations, federal, state or local governments, Indian reservations, railroads, etc. if the operation:

- (1) paid cash rent. (items 2a and 2b)
- (2) paid for use of the land with a share of the crops (either standing or harvested). (item 2c)
- (3) paid for use of the land with a share of livestock production or paid a combination of a fixed cash payments plus some shared production. (item 2c)
- (4) had free use of the land. (item 2d)

EXCLUDE:

- (1) any land for which payment was made on a per head or an Animal Unit Month (AUM) basis. This is land used as pasture for grazing livestock.

- (2) land on which the respondent's livestock were fed under a contract (for example, commercial feedlots).
- (3) shared livestock production that does not involve land rental.
- (4) Short-term land rental agreements where the operator will graze livestock for a period of 2-4 months then the landlord will harvest crops later in the year. In this case, the landlord "operates" the land.

Be sure you are getting the full number of rented acres from the respondent. Farmers/ranchers often do not think the land they rent contains woods or wasteland. Even though the farmer/rancher may not think about it that way, the landlord considers the whole parcel rented. Rent is usually based on the number of acres of cropland or pastureland.

If the renter was responsible for looking out for the owner's interest in the woodland and/or wasteland, or had the right to cut firewood, hunt, etc. on the acres, then these acres should be included as acres rented from others.

Item 3 – Acres Rented To Others

INCLUDE:

- (1) land this operation owned which was rented to another operation in 2005, for cash. This land should also be included in item 1.
- (2) land this operation rented or leased from someone else but which it subleased to another operation in 2005. This land must also be included in one of the categories in item 2.
- (3) land rented to others for which this operation received a specified amount of the crop or livestock produced, a share of the crop or livestock produced, or other non-cash compensation.
- (4) land this operation let someone else use without ever intending to receive payment (rent-free).
- (5) pasture or grazing land rented out on a per acre basis.
- (6) land owned but managed for a fee or salary by someone else.

EXCLUDE:

- (1) land enrolled in Government programs for which this operation has enrolled and makes day to day decisions (such as acres under Direct and Counter-cyclical Payment Program (DCP), acres in the Conservation Reserve Program, etc.).
- (2) land worked by sharecroppers on this operating unit.
- (3) land used by a child for 4-H or FFA projects if the operation's equipment was used.
- (4) land on which crops were grown under contract, if the land owner furnished machinery or controlled the seeding, growing and harvest of the crop.
- (5) land used for pasturing someone else's livestock when payment was made on a per head, fee, or AUM basis.
- (6) land used for pasturing someone else's livestock for a short term (2-4 months) when the operator will harvest crops later in the year.
- (7) land on which the operator fed livestock under contract for someone else.

Item 4 – Total Acres Operated in 2005

The operation's total farming/ranching operation is the total of Items 1 + 2a + 2b + 2c + 2d - 3 . Verify this total with the respondent because it is the basis for the rest of the interview. Be sure this total includes all cropland, the farmstead, government program land, idle land, orchards, pasture, wasteland, wetlands and woodland associated with this operation.

Item 5 – Total Acres used on a per head of animal unit month (AUM) basis

If the operation used any acres on a per head or AUM basis that was NOT reported in item 2 above. Include land from Federal, State, railroads, Public School Districts, Indian Reservations, or privately owned land where a grazing permit was issued.

Item 6 – Acres in the Operation

These acreage questions are based on the total acres operated reported in Item 4. The acres can count more than once for the following parts.

Item 6a – Acres Considered Cropland

Cropland is any tillable land currently in crop production or land that has previously been tilled and used for crops and could be tilled again without additional improvements.

INCLUDE:

- (1) Land in crop-pasture rotation and cropland used for pasture or grazing during the current year.
- (2) Land in summer fallow.
- (3) Idle cropland (no crops planted or harvested in current year).
- (4) Cropland diverted for government programs (including CRP), unless the land is planted to trees.
- (5) Fruit orchards, vineyards, nut trees, and citrus groves.
- (6) Vegetables, melon crops, and other specialty food crops.
- (7) Nursery crops, turf grass, sod, and Christmas trees.
- (8) Land in hay crops, exclude wild hay.
- (9) Pastureland tilled in the past if the land could be tilled again without first clearing brush, trees, undergrowth, etc.

EXCLUDE:

- (1) Pasture and rangeland that has never been tilled.
- (2) Wild hay land. Although this is considered a crop, wild grasses cut for hay should not be included in acres of cropland.

- (3) Government program acres planted to trees. These acres are woodland.
- (4) Woodland and wasteland.

Item 6b – Acres Covered Under Federal Insurance

Of the total acres in item 4, report the acres that were covered under Federal crop insurance during 2005.

Item 6c – Acres Enrolled in CRP or WRP

Record the total number of acres the farm operation has enrolled in the Conservation Reserve Program (CRP). The CRP is a long term (10-15 year) cropland retirement program that provides incentives and assistance to farmers and ranchers for establishing valuable conservation practices that have a beneficial impact on resources both on and off the farm. It encourages farmers to voluntarily plant permanent covers of grass and trees on land that is subject to erosion, where vegetation can improve water quality or provide food and habitat for wildlife. The CRP is the Federal Government's single largest environmental improvement program.

The Wetland Reserve Program (WRP) is a voluntary program that offers landowners financial incentives to enhance wetlands in exchange for retiring marginal agricultural lands.

Item 6d – Acres Used to Raise Certified Organically Produced Crops

Of the total acres in item 4, report the acres harvested as certified organically produced crops. Certified organic crops are those that were certified by a State, or private certification agency.

Item 6e – Acres classified as base acreage for government farm programs

Record the acres that are classified as base acres for government farm programs in Item 6e. The base acreage is used in acreage limitation programs as well as to calculate farm program acreage.

Item 7 – Cash Rent Received for Acres Rented To Others

Do not skip this item even if the operation rented no land out in 2005. The operation may have received income in 2005, for land rented to others before 2005, or the operation may have received a pre-payment of land to be rented in 2006.

Include rent for land and/or buildings, record the total cash rent received during 2005, for all land rented to others for cash. If rent owed to the operation for 2004, was received in 2005, it should be included here. If rent for 2006, was received in advance (in 2005), it should also be included. Government payments received in association with these acres should also be included.

Exclude any short-term livestock grazing rents where the livestock owner “rents” land to grazes livestock for a period of 2-4 months, but the operator will harvest crops from the same land later in the year. The rent payments received for this short term grazing arrangement should be recorded in Section E, Item 4b in Version 1 or Section E, Item 4l for Versions 2-4.

Item 8 – Value of Share Rent Received for Acres Rented To Others

Do not skip this item even if the operation did not share rent land out in 2005. The operation may have received its share of 2004 commodities in 2005, for land it rented to others in 2004. Record the total value of the share of production received by the operation plus the value of all government payments received in association with the share rented land.

If the operator (as a landlord) has received his share of the production, but has not sold it yet, record the operator's best estimate of its market value, plus the amount received in government payments associated with the share rented land.

Be sure that commodities the operator gets in payment of share rent **ARE NOT INCLUDED** in the sales reported later in the Questionnaire.

Item 9 – Cash Rent Paid for Acres Rented From Others

Include rent for land and/or buildings, record the total amount paid in 2005 to all landlords for cash rented acreage. Ask this Question even if no land was rented in 2005. The operation may have paid rent for 2004 or 2006 in 2005. If we skip this Question just because the operation did not rent any land in 2005, we miss previous year's rent paid in 2005, or 2006 rent paid in advance in 2005. If an operation had more than one cash rental arrangement, the sum of all the individual rents should be recorded.

For crops such as sugarbeets, co-op shares may be rented with or without associated land. The rent, if any, associated with the rental of the land, should be included in this item.

Exclude

- (1) Any government payments landlords received from these acres.
- (2) Any short-term livestock grazing rents where the livestock owner grazes livestock for a few months, but the owner will harvest crops later in the year. The rent payments for this short term grazing arrangement should be recorded in Item 11.

Item 10 – Screening Question for Grazing of Livestock

Record a yes if this operation used land administered by public or private agencies for the purposes of grazing. **Include** short term grazing agreements where a livestock owner will pay to allow their livestock to graze private land that the landlord will use to harvest crops later in the growing season. If not, then record a "3" and proceed to Item 12.

Item 10a – Usage fees Paid for use of Public land

(Mostly found in AZ, CA, CO, ID, MT, NE, NV, NM, ND, OK, OR, SD, TX, UT, WA, and WY)

The operations who use public, industrial or grazing association land will likely have rental payments on an AUM basis. This is usually controlled by the Bureau of Land Management (BLM), the Forest Service (FS), Bureau of Indian Affairs (BIA) or by grazing associations, energy companies, timber companies or railroads.

In Item 10a, **INCLUDE** expenses for use of public land, industrial land or grazing association land associated with a range grazing area (allotment or unit). Include all expenses for any year, as long as they were paid in 2005.

EXCLUDE expenses for use of land controlled by private individuals or partnerships even if the operator reports livestock were pastured on an AUM basis on this land (this expense should be recorded in Item 11).

If the operation owned (or rented from others) land which was administered on an exchange-of-use basis, these acres should be reported as owned in item 1 and as acres rented to others in item 3.

Item 11 – Amount Paid for Pasturing Livestock on Private Land

Excluding contract arrangements, record the total amount paid in 2005, for pasturing or grazing livestock on privately owned land on a fee per-head (AUM), gain, or other basis.

INCLUDE expenses for 2-4 month rental where the operator will graze livestock and the landlord will harvest crops from the same land later in the year.

EXCLUDE expenses for pasturing or grazing livestock on public land. These expenses should be recorded in Item 10a.

Item 12 – Type of Operation

For this Question, make sure the respondent refers to the list of Farm Type Codes in the Respondent Booklet. Ask the respondent to select the category which represents the largest portion of this operation's 2005 gross income.

Government payments should be distributed among the categories according to the type of program in which the operator participated.

When the respondent reports that sales for two of the categories are equal, ask which group is more important and is the primary production activity.

Operations primarily engaged in producing short-term woody crops

should be counted as farms and classified in “Nursery, Greenhouse, and Floriculture” category. Short-term woody crops are softwood trees (hybrid poplar, cottonwoods and pines) reaching maturity in 10 years or less and typically are used for paper production.

A farm primarily engaged in raising dairy heifers for herd replacements is classified as a “Beef Cattle” operation because no milk or dairy products are being produced.

Section B – Acreage and Production

Section Purpose

Acreage and production reported for crops are used to develop estimates of the value of crops produced. This information is also important to determine the types of crops grown. For example, are farms diversifying by growing a more varied mix of commodities.

Survey weights will be adjusted/calibrated so that expansions of harvested acreage for major crops match official NASS estimates at regional and national levels

To avoid double counting crop and livestock value of production, the quantity of hay, grain, and other commodities produced and used on the farm must be subtracted out of total production. For example, grain fed to livestock would be reflected in the value of livestock production rather than grain production.

To determine the operation's correct share of income, we need to know the quantity or value of what was given to landlords in return for land rentals. Without good estimates of landlord shares in estimating gross rents, farmers' net income would be overstated.

Item 1 – Crop Acreage and Production

GENERAL INSTRUCTIONS

This Section accounts for all crops harvested on the selected operation in 2005. All harvested acreage figures should be rounded to the nearest whole acre, except potatoes and tobacco, which are reported to the nearest tenth of an acre. Total production must be reported in the unit pre-printed on the questionnaire.

For operations that were in business for only a part of 2005, collect data for the part of the year when they were operating.

Column 1 - Crop

Most major field crops are reported in this Section. The questions for crops always relate to the total acres in this operation recorded in Section A, Item 4. Include all crops harvested from these acres, but exclude any crops harvested from land rented or leased to others or worked on shares by others in 2005.

This column identifies the crops harvested on this operation in 2005. The crops are divided into four categories: Field Crops, Small Grains, Hay Crops, and Other Crops. Within each category, crops of interest are indicated. These may be specific crops, such as corn for grain, or more general, such as Nursery and Greenhouse Crops.

To ensure proper and complete reporting, for each item listed, ask the respondent, "During 2005, did you harvest any [crop] on the total acres (Section A, Item 4) in this operation?"

Commodity Specific Instructions

Field Crops

Corn

The acres of corn harvested for grain, seed, silage, or greenchop are to be reported for all States. Corn harvested for seed should be included as corn harvested for grain. Do not report field corn or sweet corn hogged-off as a harvested crop.

EXCLUDE:

- (1) Sweet corn should be included, depending on usage, in either Vegetables for Processing or All Other Vegetables and Melons.
- (2) Popcorn should be included in All Other Crops.

Cotton

Record all types of cotton harvested. If cotton was grown in a "skip" row pattern, count only the land harvested for cotton, excluding the skip row acreage.

Peanuts

Include only peanuts harvested for nuts.

Exclude peanuts cut for hay; record as Hay, All Other.

Potatoes

Record potato acreage to the nearest tenth of an acre.

EXCLUDE:

- (1) Potatoes produced for home consumption.
- (2) Sweet potatoes should be included in All Other Vegetables and Melons.

Rice

Include only short, medium, and long grain varieties. Brown rice and wild rice should be reported as All Other Crops. If rice was harvested twice from the same planted acreage (a ratoon crop), count the acreage only once.

Sorghum

Exclude sorghum-sudan crosses harvested for hay; record as Hay, All Other.

Soybeans

Record only soybeans harvested for beans.

Exclude soybeans cut for hay; record as Hay, All Other.

Tobacco

Record all types of tobacco harvested in 2005. Record tobacco acreage to the nearest tenth of an acre. If "skip" rows or "sled" rows were present, record only the actual tobacco acreage.

SMALL GRAINS

Sometimes mixtures of wheat, oats, barley, and other grains are planted for use as hay, forage or silage crops. If they were harvested for hay, these mixtures should be recorded in Hay, All Other. If they were harvested as silage, they should be recorded in All Other Crops. If the crop was not harvested (only grazed), do not record it at all.

Exclude small grains cut for hay; record as Hay, All Other.

Wheat for Grain

Record all types of wheat (winter, durum and other spring) harvested for grain or seed.

HAY CROPS

Record only acres cut for hay (exclude acres "harvested" by grazing).

Acreage from which only grass silage, hay silage (haylage), greenchop, or alfalfa seed were harvested should be reported in All Other Crops.

If a hay crop and haylage are harvested from the same acres, record this as double-cropping with the hay reported in the appropriate line and the haylage reported in All Other Crops.

If two or more cuttings of the same crop were made from the same field:

- (1) Record the acreage only once.
- (2) Record the total production from all cuttings combined. For example, if two cuttings were made from a 50 acre hay field with the first cutting producing 105 tons and the second cutting yielded a total of 65 tons. The total production for the 50 acre crop would be 170 tons (105+65).
- (3) If hay was cut from the same land from which small grains were harvested for grain:
 - (a) Record the acreage cut for hay as Hay, All Other.
 - (b) Record the acreage harvested for grain in the appropriate item in the Small Grains Section.
 - (c) Exclude straw, except for the value of sales which is recorded as "Other Farm Income" in Section D, Item 3g.

Alfalfa and Alfalfa mixtures harvested for dry hay should be recorded under Hay, Alfalfa.

All non-Alfalfa hay harvested for dry hay, including Wild Hay, should be recorded under Hay, All Other. Wild hay acreage should be excluded from Cropland acres (Section A, Item 6a).

OTHER CROPS

Other Oilseeds

Exclude soybeans and canola. Include all other oilseeds harvested. Include crops such as flaxseed, mustard seed, rapeseed, safflower, and sunflower.

Sugarcane or Sugarbeets

Record the acreage of sugarcane or sugarbeets harvested in 2005, regardless of the year planted. Exclude acreage harvested for seed.

Vegetable Crops

- (1) **Multiple Cropping**
Record entire acreage of each vegetable crop planted and harvested.

For example: If 20 acres of radishes were harvested from a field and the field was replanted in radishes and harvested again, record 40 acres harvested.

- (2) **Sales from Home Gardens**
Record home garden acres harvested only if there were sales from the home garden. DO NOT record vegetables grown only for home use.
- (3) **Two or More Pickings**
If two or more pickings were made from the same planting, record the acres harvested only once.

Vegetables for Processing

Include all vegetables harvested that were for processing.

All Other Vegetables and Melons

Include all vegetables harvested that were not for processing (i.e. for fresh market) and all melon crops (watermelons, cantaloupes, and other melons).

Fruits, Nuts and Berries

Include all bearing acreage of fruit, nut, and berry crops (including strawberries).

Exclude non-bearing acres and abandoned acres.

Nursery and Greenhouse Crops

Include flowers, ornamentals, mushrooms, tobacco transplants for sale, harvested sod, Christmas trees, and turfgrass, etc.

All Other Crops

This item is for recording information on all crops not previously recorded in this Section. It is a catch-all item for other crops grown on this operation.

For each other crop reported, first determine if that crop should have been reported in another item above. If so, record it and all required information in the appropriate item.

Column 2 – Harvested Acres

Except for potatoes and tobacco, report harvested acreage to the nearest whole acre. For potatoes and tobacco, record harvested acres to the nearest tenth of an acre.

INCLUDE:

- (1) acreage of crops harvested in 2005.
- (2) acreage of crops intended for harvest in 2005 even if harvest was delayed until 2006 due to bad weather, etc.
- (3) acreage for which two uses were made of the same crop. An example is alfalfa acreage harvested for both hay and seed. These acres are recorded twice: as acres of Alfalfa, and as acres of Alfalfa seed harvested (all other crops) to account for the seed.

EXCLUDE:

- (1) acreage for second or later harvests (for the same use) of any crop from a single planting, such as second or third pickings of cotton and ratoon crops of rice.
- (2) acres of 2004 crops not harvested until 2005 due to weather conditions, etc. Make sure the respondent is not reporting planted acres by crop when you are asking only for harvested acres.
- (3) acreage of maple trees that are harvested for sap.

Column 3 – Total Production

Record the TOTAL PRODUCTION of the harvested commodity. For some respondents, this may require multiplying average yield per acres by the number of acres harvested (col 2).

Production **MUST** be reported in the unit indicated inside the Item Code box. If the operator reports production in a different unit than indicated, be sure to record complete information about that unit, including its weight. This allows you, or the State Office, to correctly convert the total production into the required unit.

Column 4 – Amount of Production Used on This Operation

Record the amount of the share of production belonging to the operation that has been (or will be) used on the operation for feed, seed, etc.

Exclude:

- (1) any production that was (or will be) used for human consumption (record the market value of this production in Section F, Item 32).
- (2) the landlord's share of production even if it was (or will be) used on this operation.

EXAMPLE:

125 acres of oats were harvested for grain with an average yield of 60 bushels per acre. These oats were harvested off share rented acres where the landlord received a 50% share. The operation used all of its share of the oats on the operation in 2005. This information would be recorded as follows:

Column 2 - 125	acres harvested
Column 3 - 7500	total production [125 acres x 60 bu/acre = 7500]
Column 4 - 3750	operation's share used on this operation [7,500 total bushels produced x 50% share x 100% used = 3,750]
Column 5 - 3750	amount of landlord's share of production [7,500 total bushels produced x 50% landlord share = 3,750 bushels]

Landlord's Share of Production

It is strongly recommended not to record the percent received by the landlord in the margin so you can come back later and calculate the amount! You will need to know more to calculate landlord(s) share than that. Using only the percent will often result in serious errors!

For example, operations often share rent some (but not all) of the acres used to grow crops. Thus, applying the percent landlord share to their

total crop production would overstate the amount the landlord received and understate the amount kept by the operation. See the examples below:

Example of INCORRECT Calculation of Landlord's Share:

Valley Farms owned 200 acres on which it grew wheat in 2005. The operation share rented another 400 wheat acres (for a 20% share) and cash rented 100 acres (for \$40 per acre). Their total wheat production was 31,500 bushels. The average yield per harvested acre was 45 bushels. Of the total 31,500 bushels, the share rent landlord received 3,600 bushels, (400 acres x 45 bushels per acre x 20% share) and 27,900 bushels belonged to the operation.

Suppose the enumerator had recorded the 31,500 bushels produced and noted that the landlord received a 20% share. Later, he/she came back and calculated the amount of the landlord's share as $.20 \times 31,500 = 6,300$. This would result in the landlord's share being 2,700 bushels more than it should be and the wheat belonging to Valley Farms as 28,200 bushels (2,700 bushels less than it ought to be).

Example of CORRECT Calculation of Landlord's Share:

The operator reports that soybeans were grown on 500 acres. The average yield per harvested acre was 30 bushels. Since the operator does not know the total amount of the landlord's share, you have to probe! You ask how many acres were share rented and find out that there were 150 acres of share rented soybean land. You calculate that his production on the 150 share rented acres was 4,500 bushels (30 bushels per acre x 150 acres). You then ask what percent share the landlord received and learn that the landlord received a 33% share. So you calculate:

Landlord's Share (amount) of production

$4,500 \text{ bushels} \times (1/3) \text{ share} = 1,485 \text{ bushels}$

**Column 5 – Landlord's Share of Production (Total Amount)
V1 Only**

Record the TOTAL AMOUNT (in specified unit) of each commodity given to landlord(s) in return for use of the land. This item is very important because it is used to determine the value of the landlord's share for rent. Exclude the landlord's share of government payments that will be recorded in Section E, Item 3.

Item 2 – Market Value of Landlord's Share

V1 Only

For the crops listed in Item 1 with a "*" placed beside them, the MARKET VALUE of the landlord's share must be calculated. Report a dollar value only if the land was share rented.

**Item 2 – Market Value of Landlord's Share
V2,V3,V4 Only**

For all the crops listed in Item 1, record the estimated VALUE of the landlord's share. Report a dollar value only if the land was share rented.

**Item 3 & 4 – Genetically Modified or Enhanced Seed Varieties
V1 Only**

Adoption rates for new technologies vary widely among producers of various commodities, and policy issues related to the adoption of alternative herbicide and insect resistant varieties also differ. To better address technology adoption as it relates to the operation's other management strategies and financial condition, it is important to know the number of acres reported that were planted to each of the general GM seed types.

For the listed crops, ask if any of the harvested acres reported earlier were planted with any of the listed seed types. Determine if one of the TYPES of seed listed was used for the 2005 crop. If a non resistant or non quality enhanced seed type was used, leave the column blank. If the operator used more than one type of the listed seed varieties, record the acres planted for each seed type in the appropriate seed type column.

Genetically modified herbicide resistant variety: The seed variety was genetically modified to be herbicide resistant. Examples would be Round-Up Ready (corn, soybeans, cotton), Liberty-Link (corn, canola) and BXN (cotton).

Non-genetically modified herbicide resistant variety: The seed variety was developed using conventional breeding techniques to be herbicide resistant. Examples of a non-genetically modified herbicide resistant seed are STS (sulfonylurea tolerant soybeans) and IMI (Imidazolinone) tolerant (corn), and Clearfield (corn).

Genetically modified Bt variety: "Bt" means Bacillus thuringiensis, which is a bacteria that is used to control many larva, caterpillar, or insect pests. The seed variety is resistant to insects. Examples would be YieldGard, Knockout, and NatureGard (all for corn), and BollGard (cotton), New Leaf (potatoes), and Attribute (sweet corn).

Stacked gene variety (both herbicide resistant and Bt): The seed variety is genetically modified to be both herbicide resistant and insect resistant. It contains more than 1 genetically modified traits. Examples include YieldGard + Roundup Ready, YieldGard + LibertyLink, Bt corn + Roundup Ready corn, and BollGard + Roundup Ready (cotton).

**Item 5 – Acres of Corn Bt and rootworm resistant
V1 Only**

Ask this question only if column 3 or 4 from Question 4 is positive. Include the acres from those columns that were planted with rootworm resistant Bt seed.

**Item 6 – Planted Tobacco Acreage
V1 Only
GA, KY, NC, PA, SC, TN, and VA Only**

There have been significant changes to the Tobacco industry. Items 6, 7, and 8 are included in order to measure how farms in the major tobacco producing states responded to changes in the tobacco industry. Information is collected for the past 2 years.

These questions are intended to be asked only in the major tobacco producing states of Georgia, Kentucky, North Carolina, Pennsylvania, South Carolina, Tennessee, and Virginia.

Ask the respondent if he/she planted tobacco acres in either 2004 or 2005. If yes, continue by asking Items 7 and 8. If no, go to Section C.

Item 7a,b – Acres Of Tobacco Planted

Record the number of tobacco, by type, acres that were planted in 2004 and 2005. Farms that exited tobacco production between 2004 and 2005 would have planted acres in 2004 but not 2005. Enter a 0 for 2005 if this is the case. Farms that entered tobacco production would have planted acres in 2005 but not 2004. Enter a 0 for 2004 if this is the case. Farms that stayed in tobacco production would have planted acres in both years.

Item 8a,b,c – Average Price Received

Record the average price received per 100 pounds, by type, in whole dollars. Round to the nearest dollar if necessary.

Section C – Livestock

Item 1 – Number Sold and/or Removed in 2005, Number on Hand on December 31, 2005, and Number Owned by Operation on December 31, 2005.

It is very important to record these items accurately. Survey weights will be adjusted/calibrated so that expansions of these items match official NASS estimates at regional and national levels. Ending inventory numbers are used by NASS in setting official U.S. farm expenditure estimates.

Column 2 – Total Number Sold and/or Removed in 2005

Record all livestock, poultry, poultry products (eggs), dairy products (milk) and animal specialties sold on the open market and/or removed under contract from January 1, 2005, through December 31, 2005, regardless of who owned them. Also include any livestock products, livestock, or poultry that belonged to landlords, contractors, or any other person. **Exclude** animal deaths. Deaths do not add a value of production, and they are not counted.

Column 3 – Total Number On Hand

Record all livestock, poultry, and animal specialties on the total acres operated on December 31, 2005, regardless of ownership. Record livestock and poultry raised, fed, or pastured under a contract or on a custom basis if they were located on the total acres operated on December 31, 2005.

If on December 31, 2005, the livestock is not located on the operation, the person responsible for the livestock and poultry, should record the inventory on his/her operation. Examples of when this could become an issue are when livestock are:

- I. Being moved from one place to another.
- II. On unfenced land.

- III. On a short-term pasture, such as wheat or crop residue.
- IV. Grazing in national forests, grazing districts, open range, or on land under permit.

Column 4 – Total Number Owned by the Operation

Record the number of livestock on hand December 31, 2005 that are owned by the operation.

Item 1a – All Cattle and Calves

Record the total number of all cattle and calves sold on the open market or removed under contract in 2005, regardless of ownership. This should include all breeds, sexes and ages.

Item 1b – All Hogs and Pigs

Record the total number of all hogs and pigs sold on the open market or removed under contract in 2005, regardless of ownership. Be sure to include all sows, boars, feeder pigs, market hogs, and cull stock.

Item 1c – Milk

Record the total amount (in hundredweight) of milk sold on the open market or removed under contract in 2005 regardless of ownership.

Item 1d – Chicken Eggs

Record the total number (in dozens) of all chicken eggs (including hatching eggs), sold on the open market or removed under contract in 2005, regardless of ownership.

Item 1e – Turkeys

Record the total number of turkeys, of all types, sold on the open market or removed under contract in 2005, regardless of ownership.

Item 1f – Broilers

Record the total number of broilers sold on the open market or removed under contract in 2005, regardless of ownership. Report fryers, other meat-type chickens, and layers in Item 1g.

Item 1g – All other Livestock and Poultry

Record the total number of head of all livestock and/or poultry not accounted for in items 1a-f that was sold and/or removed in 2005. Include things such as pleasure horses, ponies, mules, sheep, goats, bees (record number of hives), rabbits, mink and other fur-bearing animals, commercial aquaculture (if unknown, use the best estimate based on stocking rates), and any other livestock or poultry not previously reported. Exclude horses that are part of a boarding operation. Be sure to note the type of livestock reported in this item.

HORSE BOARDING, TRAINING, RACING OPERATIONS

With the popularity of the equine industry in many States, you may run into an operation that has both agricultural and equine related businesses. Economic surveys like the ARMS and Census account for agricultural enterprises as defined by the North American Industrial Classification System (NAICS). Commercial equine boarding, training, and racing do not fall into the agricultural category. As a result, income and expense items for these operations shouldn't be recorded if at all possible.

If the operator has a horse boarding, training, or racing operation, determine whether or not the operator keeps income & expenses of the horse operation separate from the agricultural enterprise.

If the financial records are kept separately, do not count the horses associated with the horse operation. Also, do not record any income or expenditures of the horse operations in later sections of the ARMS questionnaire.

If the financial records are kept together, count the horses associated with the horse operation. Also, record any income or expenditures of the horse operations in later sections of the ARMS questionnaire.

Item 2 – Landlord's Share of Livestock Production

Before asking this item, probe to find out if any of the operation's share-rented acres involved livestock production.

Record the value of the share of livestock production given to landlord(s) in 2005. This value could be zero if no shared livestock were marketed in 2005. In this case, write a note to indicate that zero is valid. If the respondent does not know the value, probe for the best estimate.

DO NOT include livestock production not associated with land. Shared livestock production that is not part of a land rental arrangement (such as raising cattle on shares) should be reported in Section D.

Item 3 – Contracts to have Livestock or Poultry Fed or Raised by Another Operation

If this operation paid another operation a fee for the service of feeding or raising a commodity (owned by the selected operation), then the answer to this question is yes (the operation is acting as contractor). The commodity must remain an asset of the selected operation. It is neither sold to the contractee operation, nor is ownership transferred to that operation.

Examples of these types of contracts include:

- a cow/calf producer who has calves fed out through a feedlot.
- a dairy producer who pays another operation to raise replacement heifers.
- a hog farrowing operation that contracts with another operation to raise feeder pigs up to slaughter weight.

EXAMPLE:

Respondent has Production Contract with a Feedlot and a Marketing contract with Meatpacker

In this case the respondent is the owner of the cattle, and has a production contract with a feedlot (the respondent is the contractor). This contract should be reported in Section C, Item 3. This includes all expenses paid

or reimbursed by the respondent (contractor) to the feedlot. These expenses should **only** be recorded in Section C. They should not be recorded in Section F (Section F is used to record expenses incurred on the respondent's operation).

If the feedlot sells/markets the finished cattle for the respondent (owner) then the gross receipts from the sale of these cattle should be recorded in Section C, Item 3, Column 6. If the respondent (owner) is responsible for marketing the finished cattle and uses a marketing contract, then record the information in Section D, Item 1. If the respondent (owner) is responsible for marketing the finished cattle and sells the cattle on the open market then record the information in Section D, Item 3.

If the feedlot was also a respondent, the feedlot would report a production contract in Section D and would report the expenses that were paid by the cattle owner (contractor) in Section F, Column 3. Any other expenses associated with the production contract and not paid by the cattle owner (contractor) would be reported in Section F, Column 1.

Column 1 – Commodity Contracted Out
V1&V4 only

Record the type of commodity that was placed on another operation to be fed or raised. Include commodities that were placed on contractee operations in 2004, and were still under contract on January 1, 2005.

Column 2 – Livestock Code
V1&V4 only

Record the livestock code from the respondent booklet that relates to the commodity identified in Column 1.

Column 3 – Market Value of Commodities under contract on Jan. 1, 2005
V1&V4 only

Record the estimated market value of all this operation's commodities from 2004, and previous years that were placed on contractee operations and were still under contract as of January 1, 2005.

DO NOT include this value in Section H, Assets.

Column 4 – Estimated Market Value of Commodities Placed
V1&V4 only

Using the market price at the time the commodity was placed, record the estimated value of the contracted commodities this operation placed on contractee operations during 2005. If more than one arrangement existed, or if arrangements existed for more than one commodity, record each one on a separate line.

**Column 5 – Production Expenses and Fees Paid to Contractees
V1&V4 only**

Record the total amount this operation paid to contractees for labor and management fees and reimbursements for expenses.

DO NOT record these expenses in Section F (Section F is used to record expenses incurred on the respondents operation).

**Column 6 – Gross Receipts from Contracts
V1&V4 only**

Record the gross income to this operation from sales of commodities produced under this contract by other operations (quantity times market price) during 2004. **DO NOT** record these sales anywhere else in Section C or D. This item will be zero for dairy replacement heifers that are removed back to the respondent's (contractor's) operation and not sold.

**Column 7 – Market Value of Items under Contract on December 31, 2005
V1&V4 only**

Record the estimated market value of commodities still under contract as of December 31, 2005.

DO NOT include this value in Section H, Assets.

**Item 3a – Gross Receipts from Contracts
V2&V3 only**

Record the gross income to this operation from sales of commodities produced under contract by other operations (quantity times market price) during 2005. **DO NOT** record these sales anywhere else in Section C or D. This item will be zero for dairy replacement heifers that are removed back to the respondent's (contractor's) operation and not sold.

**Item 3b – Market Value of Unsold Livestock
V2&V3 only**

Record the estimated market value of commodities still under contract as

of December 31, 2005.

DO NOT include this value in Section H, Assets.

Item 3c – Production Expenses and Fees Paid to Contractees
V2&V3 only

Record the total amount this operation paid to contractees for labor and management fees and reimbursements for expenses.

DO NOT record these expenses in Section F (Section F is used to record expenses incurred on the respondents operation).

Section D - Commodity Marketing and Income

Overview of Items 1 and 2: Production and Marketing Contracts

Importance of Obtaining Information on Marketing and Production Contracts:

To show an accurate picture of both the value of the farm sector's output and the financial condition of farming operations, we must fully account for persons or other businesses who provide inputs used on the farm to produce agricultural commodities and receive income from the sales of these products. The contracting information collected on this survey is USDA's only source of data to separate production, income, and expenses among farmers, contractors, landlords and others. For these reasons, collecting complete and accurate information on contracting is critical.

Prior surveys show widespread and growing use of production and marketing contracts. Producers sometimes use contracts because they can be designed to reduce price risks, and they sometimes use them to reduce input financing requirements. Processor-buyers often use contracts to obtain consistent supplies of commodities at specific desired qualities. Questions in Version 1, Items 1 and 2, Columns 3-4 and 9-15 are designed to help us measure the importance of risk-reduction and other contract terms, and to help explain the differences in prices and fees received by contract producers of like commodities.

Collecting Data on Contracts:

There are two things you must find out in order to collect and record contract data correctly. The first is whether the operation is acting as the CONTRACTEE or CONTRACTOR for a specific commodity. The respondent's operation is the CONTRACTEE when it produces and/or markets the commodity under a contractual agreement with another farm operation or entity such as a packer or processor. The respondent is a CONTRACTOR when he or she contracts with another operation to produce crops, livestock, or poultry for the respondent. If the respondent is a contractor you should record that information in Section C, Item 3. Second, if the respondent is a contractee, you have to find out whether the contract is a production contract or a marketing contract.

Contracts can take on many different forms. The accompanying table

provides an overview of contract features, and delineates how, for purposes of this survey, we want to distinguish between marketing contracts and production contracts.

Overview of Marketing and Production Contracts:

MARKETING CONTRACT

Contractor:
Arranges, prior to completion of a production cycle, to acquire a specified commodity at the end of the cycle.

Commits to a price, a pricing arrangement, or an agreement to sell on the contractee's behalf.

Does not take ownership of the commodity until it is delivered.

Makes few or no production decisions

Contractee (operator):
Obtains a buyer and a marketing arrangement for commodities before completion of a production cycle.

Supplies and finances all or most of the inputs used in production.

Owns the commodity while it is being produced.

Makes all or most production decisions.

PRODUCTION CONTRACT

Contractor:
Arranges, prior to beginning a production cycle, to have a specified commodity produced.

Commits to a fee or fee arrangement to be paid to the contractee.

Usually owns the commodity during production.

Makes many major production decisions

Contractee (operator):
Provides labor and some management services used in production, as well as fixed inputs (land, buildings, etc), for a fee.

Supplies only a small part of the inputs used in production.

Usually does not own the commodity.

Makes only a few, if any, production decisions.

Often bears all production risks, and contract frequently limits some price risks.

Often bears no price risks, and contract may allow operator to limit some production risks.

Receives the major share of the value of production

Receives a fee that is usually only a small share of the value of production.

Production Contracts:

Production contracts are used for livestock, poultry and crop production. Under poultry or livestock production contracts, the farm/ranch operator (for example, a feedlot or broiler grower) usually houses and feeds the poultry or livestock until they reach a specified age or weight. The contractor usually either pays most of the production expenses or reimburses the contractee for the expenses while the commodity is on the contractee's operation. For example, in broiler contracts, the contractor normally provides chicks, feed, chemicals, transportation, and technical assistance.

Under crop production contracts the contractor often supplies inputs such as seeds or plants, fertilizer, chemicals, transportation and technical assistance. Examples include vegetables for processing and corn for seed.

Characteristics of Production Contracts:

The contractee and contractor usually reach agreement before production begins, and the contract provides considerable detail on specifics such as fees, responsibility for input provision, and product ownership. Contractees usually provide labor, farm management services, utilities, housing, and equipment. Contractees usually receive fees for their services that are considerably less than the full market value of the commodity. One clue to the presence of a production contract is if the operator reported livestock or poultry facilities or production expenses, but few or no head of owned livestock on hand or sold by the operation. These livestock or poultry are almost certainly being produced under contract.

Look for production contracts on farms that:

- have broiler houses or other poultry and/or egg producing facilities.
- have hog nursery or confinement feed arrangements. Pay close attention to pricing terms and hog ownership under contracts, because production contracts and marketing contracts are each used. The contractor owns the hogs under production contracts, and the contractee is paid a fee that is not closely linked to market values.
- provide custom-feeding services for cattle, where the cattle are owned by another individual, farm, or firm.
- produce vegetables for processing.
- produce seed crops.

Marketing Contracts:

For purposes of this survey, a marketing contract for a commodity exists when a verbal or written agreement to market the commodity is reached before completion of a normal production cycle (prior to harvest for crops, prior to removal from the operation for livestock). The agreement will include a price, an arrangement for determining price, or (in the case of marketing pools or some operating cooperatives) a commitment by the contractor to negotiate for a price on the contractee's behalf.

Although marketing contracts are more common for crops, some producers use contracts to market their livestock and/or livestock products. Livestock producers use contracts to provide for future delivery of a certain number and/or quality of animals or products.

For the purposes of this survey, marketing contracts may include:

- forward sales of livestock or a growing crop (or a crop to be grown). The contract provides for later delivery, and it may fix a price or provide for pricing later. Delivery usually occurs at harvest. Fruit crops are common examples of this.
- a dairy producer who contracts to market milk for the coming year through a co-op, with prices determined later through some

process such as co-op bargaining.

- price set after delivery (and often according to formula).
- crop pooling. Farmers may agree to pool their crop and sell along with other producers through a cooperative or other pooling firm. Most agreements to pool are made pre-harvest. The final price received is determined by the net pool receipts for the quantity sold (by selling a larger amount the pool may get a better price). Farmers may have to wait a year or more to receive final payment, and decisions related to selling are made by the pool manager. Pooling is common in rice and cotton marketing.

While marketing contracts can be used to sell commodities held in inventory, for the purposes of this survey we only want to count contracts made before crop harvest or before completion of a livestock production cycle.

Marketing pools occurs in some States where a group of producers will combine or “pool” their crop or livestock commodities for sale and delivery to a buyer to save on hauling expenses and/or marketing charges. Unless the agreement to pool occurs prior to harvest or completion of the livestock production, this should be considered cash sales and reported in Section D, Item 3.

Sales under contract made from inventory should be considered cash sales and reported in Section D, Item 3.

Characteristics of Marketing Contracts:

Marketing contracts may be agreed to before a production cycle begins or during the cycle, but for purposes of this survey, they must be agreed to before the cycle is completed (prior to harvest for crops, prior to removal from the operation for livestock). Prices may often vary with the attributes of the commodity produced, as in grade and yield contracts for cattle or high-oil corn contracts that provide higher prices for higher oil content.

Attribute-related price terms are often expressed as deviations from a base price tied to overall market conditions.

Look for marketing contracts on farms that:

- grow citrus fruits, other fruits, or nuts
- produce fresh vegetables
- grow sugar beets, sugarcane, peanuts, dry peas or dry beans
- produce fluid milk.
- sell fed cattle to meatpackers. Marketing contracts account for a growing share of fed cattle shipments from feedlots to meatpackers. Record custom-fed cattle, owned by someone other than the respondent, under production contracts
- grow potatoes
- produce eggs
- grow ornamentals or horticultural crops

Keep in mind that, for the purposes of this survey we only want to count contracts made before crop harvest or before completion of a livestock production cycle. If the operator delivers a crop to the buyer, the price or pricing mechanism (if price is not determined at the time of delivery) must be agreed upon before harvest is complete or the completion of the livestock sample to be considered a marketing contract. Otherwise, it is considered a cash sale and should be reported in Section D, Item 3. Some marketing contracts for fruit and milk products may not contain a predetermined price, but an agreement to “market” the commodity. This is still a marketing contract.

SPECIAL TOPICS

Feedlot Operations:

Cattle in feedlots may be owned by the feedlot operator, or they may be custom-fed by the feedlot for an owner, usually under a production contract between the feedlot (the contractee) and the owner (the contractor). Feedlot respondents should record production contracts in Section D for those custom fed cattle that they feed under production contracts. Expenses paid or reimbursed by the owner (contractor) to the feedlot should be reported in Section F. Fed cattle are also often sold to meatpackers under marketing contracts. Respondents who own cattle that are custom fed at a feedlot and sold to a packer through a marketing contract should record the marketing contract in Section D, and should record the production contract with a feedlot in Section C, Item 3. Feedlot respondents should only record marketing contract sales in Section D for those cattle that the feedlot owns, not for custom fed cattle owned by another entity.

Contractee is part of another business:

An operation such as an egg hatchery may be owned by the business it contracts with. In this case unit fees/prices and total receipts will not be available since no market transaction takes place. In most cases the operation will have recorded a "book value" for the commodity it produced. Use the book value if available, to record unit price/fee and total receipts for Section D, Items 1 and 2,

Reimbursement for Expenses in Production Contracts:

Contractees in production contracts sometimes purchase some variable inputs, and reimbursement for their expenses is added to the amount paid for contractee services. Settlement sheets or other contract documents usually break out reimbursed expenses. Since we want to collect data on reimbursed expenses separately, they should be included in Section F, Column 3 under the appropriate item.

Futures Contracts Obtained for the Purpose of Hedging:

Such contracts should not be reported as marketing contracts. Hedging occurs when the farmer takes opposite positions in the futures and cash markets. It allows farm operators to fix now the price of products they intend to sell later. For example, farmers who are growing a commodity for sale are said to be "long" in the cash market. The appropriate hedge is

to sell futures. Then, when the farmer sells his cash commodity, he buys back his futures contract, preserving a price. This type of transaction should be recorded in two places. The actual cash sale of the commodity should be recorded in Section D, Item 3, under the appropriate commodity. The net profit or loss from hedging should be recorded in Section E, Item 4l.

Dairy Futures Contracts:

It is easy to confuse milk production contracts with futures contract as described above. An indication of futures hedges when more than 2 marketing contracts exist for milk production. Futures contracts are NOT marketing contracts. They should be recorded like the crop hedges mentioned above. The cash sale should be recorded in Item 3j with any profit or loss from these futures recorded in Section E, Item 4l.

Item 1 – MARKETING Contracts

Column 1 – Commodity

Show the respondent the list of Crop and/or Livestock Codes in the Respondent Booklet.

Record each commodity for which the operation had a marketing contract in 2005.

In V2-V4, the commodity code is in column 1 as well. Record the commodity code that relates to the commodity identified.

**Column 2 – Commodity Code
V1 only**

Record the commodity code that relates to the commodity identified in Column 1.

**Column 3 – The Marketing Contractor
V1 only**

Show the respondent the list of Marketing Contractor Codes in the Respondent Booklet.

Have the respondent choose the code that best fits the contractor for this commodity (note that the set of Marketing Contractor Codes differs from the set of Production Contractors Codes).

**Column 4 – Length of Contract Experience with Contractor
V1 only**

Record the total number of years that the respondent has had marketing contracts with this contractor for the commodity recorded in Column 1. Leave blank or use a dash(-) if the answer is less than one year.

Column 5 – Quantity Marketed

Record the total amount of the commodity marketed under the contract. Do not include the landlord's share of production even if it was marketed along with the operation's share. Record the landlord's share in Section B or C.

Column 6 – Unit Code

Record the code that represents the commodity unit (specified in the contract), such as pounds, tons, bushels, head, etc. If a unit other than those indicated on the questionnaire is reported, make good notes.

Column 7 – Price Per Unit

Record the final price (net of marketing charges), in dollars and cents per unit, that the operation will receive for all of the production marketed under the contract. The respondent may have to estimate this price. Do not use Columns 8 and 5 (V1 only) to estimate a final price. Column 8 divided by Column 5 (V1 only) will equal Column 7 ONLY when the operation was paid in full during calendar year 2005 for the commodity marketed under the contract.

Be sure the unit for the price reported agrees with the unit for the quantity reported. Cotton is an example where price and unit often do not agree. A common mistake is to record cotton sales in bales, but price as a price per pound.

Consider an example where a single bale was contracted at 65 cents per pound. If you recorded "1" in Column 5, Code 7 (for bales) in Column 6

and .65 in Column 7, the gross income to the operation would show up as 65 cents. Assuming a standard bale weight of 480 pounds, you came up short by \$311.35 (the price per BALE is $480 \times .65 = \$312$)!

Column 8 – Total Amount Received
V1 only

Since total payments are not always received in the calendar year of production, you always have to ask this question in order to complete this Column correctly. Be sure any marketing charges related to sales under the contract are subtracted out and recorded in Section D, Item 5. Record the total amount the operation received during the calendar year for sales under the marketing contract. This is often less than the quantity marketed under contract times the per unit price. Sometimes the producer is not paid until after the first of the next year. If the operation did not receive any payment under the contract in 2005, enter a dash and make a note.

If the operation did not receive all of the payments owed to them under the contract in 2005 (Column 8 is less than Column 5 times Column 7), the remaining amount owed must be accounted for as an asset in Item 6c.

Column 9 – Price Determination
V1 only

Show the respondent the list of pricing Codes that relates to Column 9.

Choose Code “1” if the contract specifies an exact price for the commodity. In many cases, however, the contract describes how a price will be determined at the time of delivery, and often relates that price to product attributes and/or to publicly reported prices of related products, such as cash market prices paid for the product, futures market prices for the product, prices of inputs, or prices of related processed products. Choose Code “2” for these contracts. Also choose Code “2” if the contract contains a grid or formula that adjusts prices for quality characteristics of the product. Some contracts do not specify prices at all; instead contractors negotiate with buyers on the respondent’s behalf (marketing pools often operate in this way). Choose Code “3” for these contracts.

Column 10 – Contract Premiums
V1 only

Ask only if respondents chose Code “2” in Column 9. Enter 1 if the

answer is “yes” that is, if the contract stipulates different prices to be paid according to attributes of the delivered commodity. Examples include cattle contracts that relate prices to grade and yield, hog contracts that relate prices to measures of leanness, or crop contracts that relate prices to measured attributes such as moisture or oil content. Do not enter 1 if the contract simply defines minimal acceptable product standards.

Column 11 – Contractor Share Ownership of the Commodity

V1 only

Answer only if the contractor shares ownership of the commodity with the operation while it is being produced. Enter 1 if the answer is “yes”.

Column 12 – Requirement to Purchase Inputs

V1 only

Answer only if the contract requires respondents to purchase at least some inputs (such as seeds, fertilizer, or young livestock) from the contractor. Enter 1 if the answer is “yes”.

Column 13 – Quantity to Deliver to Contractor

V1 only

Show the respondent the set of quantity Codes in the respondent booklet.

Some contracts set a specific quantity to be delivered, or they specify a quantity range, coded as “2”. On the other hand, crop contracts sometimes provide farmers with yield protection by specifying that the contract covers production from a particular acreage (planted or harvested), while others specify a percentage (sometimes 100%) of the respondents production of the commodity. The question is not concerned with who carries out the actual delivery, but with whether the contract commits the respondent to a specified quantity.

Column 14 – Length of Contract

V1 only

Some contracts specify a precise period of time to be covered by the contract, such as 6 months, or 5 years, or 25 years. If the contract specifies a length in terms of growing cycles, such as 1 flock of chickens or 1 planting of corn, enter the number of months that cycle normally takes. If the contract does not specify a length, put a dash in the box or leave it blank; otherwise, enter the number of months specified by the contract. If the contract specifies years, multiply by 12 for months. Be

sure to enter the total number of months specified over the life of the current contract, not simply the number remaining in the contract. Also remember to only include the length of the current contract. Even if the contractee has done business with the current contractor for many years, they should periodically renew the contract between them. We are only interested in the length of the current contract.

Column 15 – Other Marketing Options

V1 only

Show the respondent the list of Marketing Codes corresponding to Column 15. Ask the respondent to consider the available alternatives to a contract with the present contractor. Choose 1 (“none”) if there are no other contract or cash buyers for the commodity.

Item 1a – Total receipts for crops under marketing contracts

V2,V3,V4 only

Record the total dollar amount the operation received during the calendar year for all crops sold under the marketing contracts reported above in Item 1. If the producer has not received all payments for the crop, this total may be less than the revenue implied by the quantities multiplied by the final price received that was entered above. If the operation did not receive any payments under these contracts in 2005, enter a dash and make a note.

If the operation did not receive all of the payments owed to them under contract in 2005, the remaining amount owed must be accounted for as an asset in Item 6c.

Item 1b – Total receipts for livestock marketing contracts

V2,V3,V4 only

Record the total dollar amount the operation received during the calendar year for all the livestock sold under the marketing contracts reported above in Item 1. If the respondent has not received all payments, this could be less than the revenue implied by the recorded quantity multiplied by the final price received. If the operation did not receive any payments under these contracts in 2005, enter a dash and make a note.

If the operation did not receive all of the payments owed to them under contract in 2005, the remaining amount owed must be accounted for as an asset in Item 6c.

Item 2 – PRODUCTION Contracts

Column 1 – Commodity

Show the respondent the list of commodity codes in the Respondent Booklet.

Record each commodity the operation produced under a production contract in 2005.

In V2-V4, the commodity code is in column 1 as well. Record the commodity code that relates to the commodity identified.

**Column 2 – Commodity Code
V1 Only**

Record the commodity code that relates to the commodity identified in Column 1.

**Column 3 – Contractor Code
V1 only**

Show the respondent the list of Production Contractor Codes in the Respondent Booklet.

Have the respondent choose the Code that best fits the contractor for this commodity (note that Production Contractor Codes differ from Marketing Contractor Codes). Many contractors will fit Code # 5, “other”.

**Column 4 – Length of Contract Experience with Contractor
V1 only**

Record the total number of years that the respondent has had production contracts with this contractor for the commodity recorded in Column 1. Record a dash if the answer is less than one year.

Column 5 – Quantity Removed

Record the total amount of the commodity removed from the operation under the contract. Do not include the landlord's share of production even if it was removed along with the operation's share. The landlord's share should be recorded in Section B (Crops) or Section C (Livestock).

Column 6 – Unit Code

Record the code that represents the commodity unit (specified in the contract), such as pounds, tons, bushels, head, etc. If a unit other than those indicated on the questionnaire is reported, make good notes.

Column 7 – Fee Per Unit

Record the final fee, in dollars and cents per unit, that the operation will receive for all of the production removed under the contract. The respondent may have to estimate this fee. DO NOT use Columns 8 and 5 (V1 only) to estimate a final fee. Column 8 divided by Column 5 (V1 only) will equal Column 7 ONLY when the operation was paid in full during calendar year 2005 for the commodity removed under the contract.

Be sure the unit for the fee reported agrees with the unit for the quantity reported. Broilers are an example where the units for fees and quantities often do not agree. A common mistake is to record broiler removals in number of head, but fees on a per-pound basis.

Consider an example where one broiler was contracted at a fee of 4.6 cents per pound. If you recorded "1" in Column 5, Code 11 (for head) in Column 6 and 4.6 in Column 7, the gross income to the operation would show up as 4.6 cents. Assuming a standard broiler weight of 5 pounds, you came up short by 18.4 cents (the fee per head is $5 \times .046 = \$0.23$)!

**Column 8 – Total Fees Received
V1 only**

Since total payments are not always received in the calendar year of production, you always have to ask this question in order to complete this column correctly. Be sure any marketing charges related to sales under the contract are excluded. Record the total amount the operation received

during the calendar year for removals under the production contract. This is often less than the quantity removed under contract times the per unit fee. Sometimes the producer is not paid until after the first of the next year. If the operation did not receive any payment under the contract in 2005, enter a dash and make a note.

If the operation did not receive all of the payments owed to them under the contract in 2005 (Column 8 is less than Column 5 times Column 7), the remaining amount owed must be accounted for as an asset in Item 6c

Column 9 – Formula for Final Fee Received
V1 only

Show the respondent the list of Pricing Codes for Item 1 (Marketing Contracts), Column 9. Some production contracts specify a flat fee per unit produced in the contract. But others tie the respondent's compensation to attributes of the contracted product, to the respondent's efficiency in production, or to prices of the inputs that the respondent hires or purchases, and the relation is often expressed in a formula, a grid, or a table. Record 1 if the fee to be paid by the contractor to the respondent depends on such a formula, grid, or table.

Column 10 – Final Fee Received Relative to Other Growers
V1 only

Ask only if the contract specifies a formula for determining the final fee (Column 9 = 1). Record a 1 in column 10 if the answer is "yes" that is, if the contract explicitly bases some part of the respondent's compensation on his or her performance, relative to a control group of other producers who have contracts with the respondent's contractor. Such arrangements sometimes occur in poultry and livestock production contracts, and are frequently referred to as "relative performance" or "tournament" contracts. For example, broiler contractors frequently rank producers according to their supply cost (cost of feed, veterinary services, and transportation services) per hundredweight of weight gain, and contracts specify that those with lower than average supply costs will receive higher payments.

Column 11 – Contractor Own any Structures Used
V1 only

Record a 1 if the contractor owns any of the structures used on the operation specifically for producing the commodity.

For example, in some hog operations, the contractor constructs and owns the hog barn(s) used on the contractee's operation.

Column 12 – Contractor Own any Equipment Used

V1 only

Record a 1 if the contractor owns any equipment used on the operation specifically for producing the commodity.

Similarly, contractors sometimes provide equipment that they own to a contractee's hog or poultry operation.

Column 13 – Land Committed to Manure Disposal

V1 only

In many livestock operations, land is an integral part of proper manure management. For example, hog operations often use lagoons to capture manure run-off from sheds housing the animals, and then use spreaders to distribute the waste over large land areas as fertilizer. Ask the operator if the contract required them to commit a specified amount of land to manure distribution. Record the amount required to be committed, in acres. If the contract did not specifically require a commitment of land, record a dash in Column 13.

Column 14 – Length of the Contract

V1 only

Some contracts specify a precise period of time to be covered by the contract, such as 6 months, or 5 years, or 25 years. If the contract specifies a length in terms of production cycles, such as 1 flock of chickens or 1 planting of corn, enter the number of months that cycle normally takes. If the contract does not specify a length, enter a dash; otherwise, enter the number of months specified by the contract. If the contract specifies years, multiply by 12 for months. Be sure to enter the total number of months specified in the contract, not simply the number remaining in the contract.

Column 15 – Other Marketing Options

V1 only

Show the respondent the list of Marketing Codes corresponding to Column 15. Ask the respondent to consider the available alternatives to a contract with the present contractor. Choose 1 ("none") if there are no

other contract or cash buyers for the commodity.

**Item 2a – Total receipts for crop production contracts
V2,V3,V4 only**

Record the total dollar amount the operation received during the calendar year for all crops grown under the production contracts reported above in Item 2. If the respondent has not yet received all fees, this could be less than the amount implied by the values for quantity multiplied by the fee received recorded above. If the operation did not receive any payments under these contracts in 2005, enter a dash and make a note.

If the operation did not receive all of the payments owed to them under contract in 2005, the remaining amount owed must be accounted for as an asset in Item 6c.

**Item 2b – Total receipts for livestock and poultry production contracts
V2,V3,V4 only**

Record the total dollar amount the operation received during the calendar year for all the livestock or poultry fed under production contracts reported in Item 2. If the respondent has not yet received all fees, this could be less than the amount implied by the values for quantity multiplied by the fee received recorded above. If the operation did not receive any payment under these contracts in 2005, enter a dash and make a note.

If the operation did not receive all of the payments owed to them under contract in 2005 the remaining amount owed must be accounted for as an asset in Item 6c.

Item 3 – Payment for Cash or Open Market Sales less Marketing Expenses

For Items a through q, ask for those that apply to the respondent doing the interview. The dollar amount recorded to each item that applies should not include any marketing expenses. Marketing expenses include transportation, storage, feed, sales commissions, inspections, etc.

EXCLUDE:

- Marketing Contract sales reported in Item 1
- Production Contract sales reported in Item 2
- Landlord share of production reported in Section B, Items 1-2

For a full explanation of Marketing Expenses, see the information prior to Item 5 entitled, "Marketing Expenses."

Item 4 – CCC Loans

The Commodity Credit Corporation (CCC) was created in 1933 to help stabilize and support farm prices and income, and to help maintain balanced supplies and assure orderly distribution of agricultural commodities. These questions account for all of the operation's CCC loan transactions during the reference year. This allows us to get a complete and accurate accounting of the farm's income.

Farmers can pledge feed grains, wheat, soybeans, cotton and rice as collateral to get a CCC non-recourse commodity loan. Record how much they received in Item 4a. The loans they get are based on a per unit support price (loan rate) established by law for their particular commodity. Loan rates for feed grains are set at a level determined to be fair and reasonable in relation to the rate for corn, taking into consideration the feeding value in relation to corn and the average cost of transporting the commodity to market. County loan rates are established to reflect the relative local value of the commodity.

Loans mature on demand, but no later than the last day of the ninth calendar month following the month the loan was made. Any time before the final maturity date of the loan, the farmer may repay the loan amount plus any interest that has accrued. If the loan is not repaid by the final loan maturity date, the CCC takes title to the commodity as full payment of the loan and interest charges.

Farmers can reclaim title to their crops by paying back the loans along with any interest and storage charges. They usually do this when the market price is higher than the loan redemption price. The amount required to repay the loan (minus any interest and storage charges) is

recorded in Item 4b. When a farmer reclaims title to the commodity, he can then either sell it or store it for future sale.

If the loan is not repaid by the maturity date, it is considered forfeited. Farmers usually do this when the market price is less than the loan redemption price.

Farmers who have placed a crop under loan can transfer the loan to someone else. When they do this, they are no longer responsible for loan repayment. (This cannot be done in all areas of the country.) If the farmer did this, any money received above the face value of the loan (equity or premium payment) should be recorded in all other farm income, Section E, Item 4l.

MARKETING EXPENSES

The following instructions should be used when completing information on marketing charges for the sales of Crops and for Livestock (Section D, Item 5).

Almost all operations that sell commodities have some marketing charges. These are usually deducted from the gross payment, so the check the farmer receives already has these charges subtracted. Farmers do not generally keep very good records of charges that were already deducted before they received their payment checks. Commission fees, yardage fees, storage fees, inspection fees and check-off fees, etc. are identified on payment vouchers, along with the gross and net receipts. **PROBE TO BE SURE THAT THESE "HIDDEN COSTS" ARE ACCURATELY REPORTED.**

If the respondent reports that no marketing charges were paid, probe by asking if anything was subtracted out of the total price before the buyer wrote the check. If the answer is yes, this usually means marketing charges were paid. Be careful not to include expenses for production inputs or loan re-payments that were netted out of the farmer's check -- these are not marketing charges. If an operation sold commodities but truly did not have any marketing charges, make a note of this, or the State Survey Statistician will have to call you or your supervisor back to verify the information.

If you absolutely cannot get per commodity charges, record the total quantity (and unit) sold so the Survey Statistician has something to use for calculating these charges.

If you have to use a handout sheet of marketing charge rates (provided by some State Offices), make a note in the margin so the survey statistician knows the farmer could not supply this information. **DO NOT** use these sheets unless the farmer cannot supply the information.

All marketing expenses paid by the operation, landlord(s) and contractor(s) must be included. All commercial crop drying, ginning and storage expenses should be included even if the crop is not yet sold. (However, storage-related expenses such as those for LP gas to run on-farm dryers should be excluded.) If a commodity was not sold from storage, but was returned to the operation, out-of-pocket expenses for storage should be included as a marketing expense.

In field crops such as sugarbeets, co-op shares are often rented or leased from operators who do not use their share. Share rentals should be considered a payment for the privilege of marketing the crop and should be recorded as a marketing expense. It is not necessary to rent land in order to rent a co-op share. If only land is rented, it should be recorded in Section A. But, if co-op share rents are reported, be sure the rent payment reported in Section A is only for land and not for the land and share rental combined.

Perishable products such as fruits, vegetables and fish often have to be refrigerated or iced during storage or transportation. These expenses should be considered marketing expenses.

When promotion or check-off fees are automatically deducted from gross sales of commodities such as soybeans, cotton, beef, hogs, or milk, the fee is **INVOLUNTARILY** charged and should be considered a marketing expense. Operations also make voluntary payments for marketing and production programs. **VOLUNTARY** payments should be recorded under general farm business expenses (Section F, Item 37).

Include fees which are deducted from payment even if the producer has the option of applying for a refund (such as a refund from Cotton Incorporated). Refunds of marketing expenses should be included as other farm related income in Section E, Item 4i, or 4l.

Include unit retains for sugarbeets which are deducted by the coop or processor from payment even though the producer receives payment from them in future years. Refunds of marketing expenses should be included as Cooperative Patronage Dividends and Refunds in Section E, Item 4i.

Include marketing charges paid for cash and/or contract sales.

Milk and Dairy Products:

Include as a marketing charge the withholding or reduction in price for the Dairy Refund Payment Program. Refunds of these charges should go in Section E, Item 4l. Do not include hauling as a marketing charge. If the hauling charge is netted out in the operator's books, add it back to the total sales value for milk and other dairy products. Be sure these hauling charges were included in custom hauling (Section F, Item 29a). If they were not, go back and add them in.

Cotton:

The cost of ginning is usually paid by giving the cottonseed to the gin. Often neither the ginning expense nor the cottonseed income appear on the farmer's books; however, the value of the cottonseed traded to the gin is technically an income item, and the cost of ginning is a marketing expense to the operation. This information should appear on the operation's statement from the ginning company. You will have to probe for this information.

Occasionally, the cost of ginning is more than the value of the seed produced by the cotton. The operation then has out-of-pocket expenses for ginning. If the cost of ginning was less than the value of the cottonseed, the operation should have received money for cottonseed. This information should be in the operation's record books.

Landlord's and Contractors Marketing Expenses

Marketing Expenses paid by landlords and/or contractors MUST also be accounted for in the appropriate column.

In most production contracts, the marketing charges are paid by the contractor. These expenses may be on the contractee's settlement sheet. If not, record the respondent's best estimate of the total marketing

expenses paid by the contractor for commodities produced on the operation under contract.

Item 5 – Marketing Charges

Refer to the detailed explanation of marketing charges above.

Record the total marketing charges paid by this operation, landlord(s) and contractor(s) for the sale of all commodities produced and sold on this operation in 2005.

Item 6 – Timing of Cash Receipt of Payments

Farm operations frequently do not receive cash payment for services provided or commodities sold in the same calendar year that the service was provided or the sale occurred. Such deferrals are often requested by operators to smooth out cash income and as an income tax management strategy. In order to determine the income that was actually earned in a given year (accrual income), adjustments must be made for the timing of the receipt of payments. Item 6 tracks payments made in 2005 for sales that occurred in earlier years, and also tracks the balances owed to the operation at the beginning and end of 2005. Note that Item 6c combines all commodities sold through contract as well as cash market channels, while Items 6a and 6b separates contract from cash market sales.

In all cases: **EXCLUDE:**

- * Marketing Charges and money received or any reimbursement for expenses.

Item 6a – Money Received in 2005 for Prior Production or Marketing Contract

Record the amount received during 2005, for commodities produced and removed or marketed under contract in any year prior to 2005. Verify that these deferred receipts are NOT included in Marketing Contracts (Item 1) or Production Contracts (Item 2).

Item 6b – Payment Received in 2005 for Prior Cash Sales

Record the amount received during 2005 for commodities sold on cash or open markets in any year prior to 2005. Verify that these deferred receipts are NOT included in Cash Sales (Item 3).

Item 6c – Payment Owed at Beginning / End of 2005

Record the amount owed to this operation at the beginning of 2005 for commodities sold on either cash markets or under a production/marketing contract in 2004, or any prior year. Record this amount in the box dated 1/1/2005

Record the amount owed to this operation at the end of 2005 for commodities sold on either cash markets or under a production / marketing contract in 2005, or any prior year. Record this amount in the box dated 12/31/2005

SPECIALTY OPERATION: LIVESTOCK ON SHARES

Please review the instructions below carefully. The production of livestock, primarily cattle, “on shares” is common in Montana, North and South Dakota, Nebraska, and other states. For example, individuals who own cows place them on someone else’s land. The land operator cares for the cows and calf crop. The cattle owner and land operator share the calf crop in a 50-50, 60-40, 70-30, or other agreed to arrangement.

The parties involved usually do not consider these arrangements to be contracts. However, for the past few years, these situations have been coded as production contracts (for the land owner) along with additional coding specific to these type of arrangements. This coding scheme has caused a great deal of confusion for enumerators, state survey statisticians, Headquarters statisticians, and analysts. It has also been very difficult to create edit logic to verify the coding is correct. For these reasons, procedures for recording and coding livestock on shares has been changed as indicated below. The following approach simplifies collecting, editing, coding, and validating livestock on share arrangements, while maintaining the integrity of the cost and returns data.

The following is an example of a 'common' livestock on shares arrangement. After the scenario are examples of how the data should be coded, from both the cattle owner and the land operator perspective.

LIVESTOCK ON SHARES EXAMPLE

A cattle owner has a deal with a land operator to raise calves on shares. The cattle owner supplies 100 head of cows. The land operator takes care of the cows and provides all necessary inputs. They agree the land operator will receive 70% of the calf crop and the owner of the cattle will receive 30%. For purposes of this example, there are 100 calves produced, therefore, the land owner's share is 70 calves and the cattle owner's share is 30 calves. The land owner decides to keep 5 of his calves and sells the rest for \$500 each. The cattle owner sells all of his calves and averages \$500 / head.

Coding For The Land Owner

If the land owner was sampled (the most common situation), the information would be recorded as follows:

Section C - Livestock

Record the 5 head of calves he kept in Item 1a, column 3 as well as column 4 (since they are owned by the operation). Record the 65 calves were sold in column 2. If the original cows were still on his place at the end of the year, record 100 head in item 1a, column 3 but not column 4.

Section D - Commodity Marketing and Income

Account for the cash sale of the calves in item 3k as 32500 (65 head * \$500 / head).

Section F - Operating and Capital Expenditures

Account for the expenses paid by the land owner (the operator) for caring for all the cows and raising all the calves.

Section G - Assets

Account for the value of the 5 calves the land owner kept in item 4b or 4c. Do not account for the value of the cows because he does not own them.

Coding For The Cattle Owner

If the cattle owner was sampled the information would be recorded as follows:

Section C - Livestock

None of the 'livestock on shares' should be included in this section because the cows are not on this operation. The cows will be accounted for on the land operators' questionnaire.

Section D - Commodity Marketing and Income

Account for the cash sale of the calves in item 3k as 15000 (30 head * \$500 / head).

Section F - Operating and Capital Expenditures

The cattle owner did not have any expenses for the cattle on shares in this example. Any expenses the operator had would be recorded if they occurred. For example, if special bulls were used for breeding, any breeding or semen expenses would be recorded.

Section G - Assets

Account for the asset value of the original 100 cows in item 4b. This is contrary to the questionnaire instructions of "Owned By and Located On this operation", but the asset value of the cows must be accounted for.

SECTION E – OTHER FARM INCOME

**Item 1 – Federal, State and Local Farm Program Payments
V1 Only**

If the respondent received any payments from Federal, State or Local Farm Programs in 2005, then check the yes box, record a 1 in Item Code 563, and ask question 2. If he/she did not receive any of these payments in 2005, then skip to question 3.

**Item 1 – Federal, State and Local Government Program Payments
V2,V3,V4 Only**

If the respondent received any government payments from Federal, State or Local Government Programs in 2005, then check the yes box, record a 1 in Item Code 562, and ask question 2. If he/she did not receive any of these government payments in 2005, then skip to question 3.

Item 2 – Program Payments

Farm operations are eligible for government payments under a variety of Federal farm programs. It is not imperative that the enumerator fully understand the nuances of all program payments, since the respondent should know the source of any payments received.

Item 2a – Direct payments

Record the total amount of direct payments received in 2005.

Direct payments under the 2002 Farm Act are similar to production flexibility contract payments (PFC) of the 1996 Farm Act. Eligible producers are those on farms for which program payment yields and base acres are established. The total direct payment for a program crop is equal to the product of the national direct payment rate of the program crop, the producer's payment acres (85 percent of base acres) for the program crop, and the producer's program payment yield for the program crop. Under this program, eligible producers receive preliminary and final direct payments for eligible crops.

**Item 2a (i) – Direct Payments Corn or Oats Base
V2,V3 Only**

Of the amount recorded in Item 2a, record the amount that was specifically for the Corn or Oats base.

Item 2b – Counter-cyclical payments

Record the total amount of counter-cyclical payments received in 2005.

Eligible producers are those on farms for which program payment yields and base acres are established. Counter-cyclical payments are made if the effective price for the program crop is less than the target price of the program crop. The effective price of a program crop is the sum of (1) the higher of the national average market price of the crop during the marketing year and the marketing assistance loan rate of the crop and (2) the direct payment rate. The counter-cyclical payment rate is the difference between the target price and the effective price. The total counter-cyclical payment for a program crop is equal to the product of the counter-cyclical payment rate of the program crop, the producer's payment acres (85 percent of base acres) for the program crop, and the producer's program payment yield (or updated payment yield) for the program crop. Under this program, eligible producers receive first partial, second partial, and final partial payments for eligible crops.

**Item 2b (i) – Counter-cyclical payments for Corn or Oats Base
V2,V3 Only**

Of the amount reported in Item 2b, record the amount that was specifically for the Corn or Oats base.

**Item 2c – Loan Deficiency Payments (LDPs)
V1 Only**

Record the total amount received in 2005 from loan deficiency payments.

Loan deficiency payments (LDPs) are payments made to producers who are eligible to obtain a marketing assistance loan on a loan commodity, but agree to forgo obtaining the loan for the commodity in return for loan deficiency payments. Loan commodities includes wheat, rice, corn, sorghum, barley, oats, upland cotton, soybeans, other oilseeds, dry peas, lentils, small chickpeas, graded wool, nongraded wool, mohair, and honey.

Nongraded wool in the form of unshorn pelts and hay and silage derived from a loan commodity are not eligible for marketing assistance loans. However, they may be eligible for loan deficiency payments.

**Item 2c – Amount Received for Various Payments
V2, V3, & V4 Only**

This question refers to payments received for loan deficiency payments, marketing loan gain, and net value of commodity certificates. The items are discussed in the V1 documentation in the following areas: Item 2c, Item 2d, and Item 2f.

**Item 2d – Marketing Loan Gains (MLGs)
V1 Only**

Record the total amount realized in 2005 from marketing loan gains.

Commodity marketing assistance loans, with repayment provisions, are available for wheat, rice, corn, sorghum, barley, oats, upland cotton soybeans, other oilseeds, small chickpeas, lentils, dry peas, wool, mohair and honey. Market loan repayment provisions are in effect when the alternative repayment rate, as determined by CCC, is less than the per-unit principal plus accrued interest, other charges, and in the case of upland cotton only, per-unit storage costs, for a given outstanding loan. Then, farmers are allowed to repay commodity loans at the repayment rate. Each day, other than weekends and holidays, CCC calculates and posts loan repayment rates, except for rice, upland cotton, other oilseeds, small chickpeas, lentils, dry peas, and peanuts, which are posted weekly. The portion of the principal, if any, that is waived when a loan is repaid is referred to as a marketing loan gain for the producer.

**Item 2e – Milk income loss contract payments
V1 Only**

Record the total amount received, including transition payments, in 2005 from the milk income loss program.

The 2002 Farm Act established the milk income loss program to provide a safety net for dairy producers. A monthly payment is made to dairy farm operators if the monthly Class I milk market price in Boston is less than

\$16.94 per hundredweight. Payments are to be made on up to 2.4 million pounds of milk per fiscal year per operation. This corresponds to the production from about 135 cows.

Participating dairy producers may also receive transition payments, payments on milk marketed from December 1, 2001, through the last day of the month preceding the month the operation's milk income loss program contract is submitted. The transition period lasts from December 1, 2001, until the time the operation enters into the contract. For example: a dairy operation signs contract on November 15, 2002; FSA approves and signs contract on November 30, 2002; the transition period for dairy operation is December 1, 2001, through October 31, 2002. Transition payments are paid in a lump sum.

Dairy operations that go out of business after December 1, 2001, may receive transition payments on the first 2.4 million pounds of eligible production commercially marketed during the transition period.

**Item 2f –
V1 Only**

Net value of commodity certificates

Record the total amount received in 2005 from net value of commodity certificates.

Commodity certificates are available for use in conjunction with the commodity market assistance loan program. Certificates can be purchased at the loan repayment rate for loan commodities. Upon purchase, the producers immediately exchange the certificates for crop collateral pledged to the CCC as collateral under commodity market assistance loan. The net value of the certificate is the value of the certificate less the cost of the certificate.

**Item 2g –
V1 Only**

Agriculture disaster payments

Include the total amount of all market loss or disaster or emergency assistance payments received from Federal programs. These programs include Apple Market Loss Assistance Program (AMLAP), Cottonseed Payment Program, Crop Disaster Program (CDP), Livestock Compensation Program, Hurricane Assistance Program for Louisiana sugarcane producers and processors, Livestock Assistance Program, Livestock Compensation Program, Noninsured Crop Disaster Assistance

Program (NAP), Disaster Assistance to producers along the Rio Grande River, Sugar beets Disaster Program, Sugarcane Disaster Program, and Tobacco Payment Program (TOPP).

Exclude Federal Crop Insurance indemnity and other indemnity payments recorded in Section E, Items 4g and 4h.

**Item 2h – Conservation Reserve Program (CRP) payments
V1 Only**

Record the total amount of payments received in 2005 from participation in the Conservation Reserve Program (CRP). Include annual rental, cost share, and incentive payments.

**Item 2h – Money Received for Conservation Payments
V2, V3, V4 Only**

Record the total dollars received for any Conservation payment in 2005. Refer to the includes statement in the questionnaire for all programs that should be included.

**Item 2i – Wetlands Reserve Program (WRP) payments
V1 Only**

Record the total amount of payments received in 2005 from participation in the Wetlands Reserve Program (WRP).

**Item 2j – Environmental Quality Incentive Program (EQIP) payments
V1 Only**

Record the total amount of payments received in 2005 from participation in the Environmental Quality Incentive Program (EQIP).

**Item 2k – Conservation Security Program (CSP) payments
V1 Only**

Record the total amount of payments received in 2005 from participation in the Conservation Security Program (CSP).

**Item 2l – Any other Federal agricultural program payments
V1 Only**

Include Federal agricultural or conservation program payments not reported above.

Item 2m – Tobacco Buyout Payments

The Tobacco Transition Payment Program (also called the Tobacco Buyout Program) provides payments to tobacco quota holders and tobacco producers beginning in 2005 and ending in 2014. There are payments provided for quota holders and payments provided for producers. Both payments are recorded under this item.

Tobacco buyout programs exist in tobacco States where State Departments of Agriculture provide funds to producers to grow other agricultural commodities instead of tobacco. Record the total amount of payments received in 2005 from participation in the Tobacco Buyout Program.

**Item 2n – Any other Local or State Agricultural Program Payments
V1 Only**

Record the total payment amount received in 2005 from all other Local or State farm programs not already mentioned. Exclude payments received from private, non-profit, or other non-governmental entities.

**Item 2n – Any other Federal, State, or Local Agricultural Program Payments
V2,V3,V4 Only**

Record the total payment amount received in 2005 from all other Federal, State, or Local farm programs not already mentioned. **Exclude** payments received from private, non-profit, or other non-governmental entities.

**Item 2n (i) – Other Federal, State, or local Program Payments for Corn or Oats.
V2 & V3 Only**

Of the payments recorded in Item 2n, record the amount specifically for the Corn or Oats enterprise.

**Item 2n (i) – Milk Income Loss Contract Payments
V4 Only**

Of the payments recorded in Item 2n, record the amount specifically for Milk Income Loss Contract Payments.

Item 2n (ii) – Cost Share Subsidy for Organic Certification

V4 Only

Of the payments recorded in Item 2n, record the amount specifically received as a cost share subsidy for organic certification. This is a program that offers to pay up to three-fourths of the certification costs.

Item 3 – Landlord Government Payments

Record the total amount of government program payments all landlords received for the acres you rented from them. For share rental arrangements, the landlord's share of commodity program payments should be proportional to crop share.

Item 4 – Income from Other Farm-Related Sources

Other farm related income sources may be an important part of the operation's total income. The items below capture that income.

Item 4a – Custom Work and Machine Hire

Include income received by the operation for work this operation or its employees did for others using the operation's machinery such as plowing, planting, spraying, harvesting, preparation of products for market, etc. Exclude custom work which was considered separate from the operation and which had its own set of books.

Item 4b – Grazing of Livestock

V1 Only

Include

- any income this operation had from grazing of another operation's livestock on a per head or gain basis.
- any income this operation had from grazing of another operation's livestock on a short term (2-4 month) basis where the operation will harvest crops later in the year.

Exclude any contract arrangements previously recorded.

Item 4c – Recreation

Include income received for recreation on the operation in 2005 including things such as hunting, fishing, petting zoos, horseback riding, on-farm rodeos, etc.

**Item 4d – Sales of Forest Products
V1 Only**

Record the total 2005 income from sales of all forest products from the total acres operated. Include timber sales, pulpwood sales, firewood sales, etc.

Exclude maple syrup and Christmas tree sales; they should be reported as crop sales in Section D, Item 3.

Item 4e – Sales of Machinery and Vehicles

INCLUDE:

- (1) all direct sales of machinery used for farming, such as tractors, combines, farm machinery, and equipment.
- (2) farm share of cars and trucks sold.

Exclude items traded in for other items since the value of these is deducted from the purchase price.

Item 4f – Proceeds from Sales of Farmland/Farm Real Estate

For the small number of farms with farmland sales, the proceeds from such sales can be make an important contribution to the cash available to farm households for investment or consumption purposes. Report only those sales of land or other real estate that is (was) part of this operation. Report sales of other farmland and other assets in Section J, Item 14g. Report the net proceeds from the sale of farm real estate assets that were part of this operation. For example: An operator owned 2 Sections of land, and partitioned off and sold 1 Section of unimproved (no buildings or other improvements) land for \$640,000. The entire farm had a mortgage of \$200,000 at the time of sale. At settlement, (ignoring real estate commissions and other closing costs) the entire mortgage was paid off and the operator received a check for \$440,000. The total proceeds from this sale are \$440,000. Had half the mortgage been paid, then the

operator would have received a check for \$540,000, reported here as proceeds, and the remaining \$100,000 balance on the mortgage would be reported as farm debt in Section H.

Item 4f(i) – Gain/Loss of Farm Real Estate Sale

There may be tax consequences when a capital asset is sold. Certain assets can be exchanged for “like-kind” assets in tax-free transactions. Gain or loss relative to gross proceeds can vary considerably depending upon how long the property has been held. The amount of gain actually recognized is an important element in estimating an after-tax farm household income measure. There is considerable interest in such a measure since it is income after-taxes that is available for household consumption, investment and savings and since other measures that fail to consider taxes do not accurately evaluate the economic well-being of the farm household in the face of changing tax burdens.

Report any gain/loss recognized on sales of land in this farm operation in the transaction reported in Item 4f. Report recognized taxable gain/loss associated with the sale of other farm or nonfarm assets in Section J, Item 14g(i). Gains/losses on the sale of capital assets are essential in estimating an after-tax farm household income measure. Gains/losses are computed as the difference between the sale price and the seller’s basis in the property (cost + improvements less accumulated depreciation). In the example above, the operator sold the Section of farmland from this operation for \$640,000. If the operator had originally paid \$300,000 for the Section that would be the current basis of the property, (since there are no depreciable improvements—land itself is not depreciable). As a result, at the time of sale the operator would have a recognized taxable gain of \$340,000 (\$640,000 sale price less \$300,000 basis). Report \$340,000 as the recognized gain. The operator would have paid tax on this gain.

However, sellers often defer the payment of these taxes, under certain conditions, by purchasing a replacement property in a tax-free exchange. Ask the respondent if the sale of the property involved a tax-deferred like-kind exchange. Section 1031, and Starker exchanges are common forms of like-kind exchanges.

Item 4g – Federal Crop Insurance

In 1996, Catastrophic Crop Insurance replaced disaster assistance. Under the new law, the Federal Crop Insurance Reform Act of 1995, farmers are required to obtain at least the basic catastrophic level of crop insurance coverage if they want to participate in most USDA programs. Information on crop insurance indemnity payments, combined with expense data for purchases of crop insurance reported earlier, will be used to assess the impact of the new crop insurance program on farmers.

Record the amount which was received from crop insurance indemnity payments in 2005. If more than one payment was received, total the payments.

Also record the amount of insurance payments collected for losses to insured property that were not part of the payments covered by FCIC. Include the farm share of insurance payments received for repair of vehicles owned by the operation.

If members of the operator's family received any insurance payments or workman's compensation for illness or injury, include this income in under off-farm income (Section J, Item 14). Include hail insurance indemnity payments.

**Item 4g (i) – Federal crop insurance indemnity payments for crop
V2 & V3 Only**

Record the dollar amount of the total (Item g) payments that were for the Corn or Oats enterprise.

**Item 4h – Other Insurance Indemnity Payments
V1 Only**

Report any insurance payment that was received in 2005 that was not already reported in Item 4g.

**Item 4i – Cooperative Patronage Dividends and Refunds
V1 Only**

Record the amount of patronage dividends resulting from ownership of shares in cooperatives in 2005. Include cash, equity dividends and patronage dividends returned to this operation by cooperatives. Include

dividend payments received for shares in farmer-owned commodity processing plants, such as ethanol plants. These are frequently referred to as “value-added” shares. Sugarbeet ‘retains’ when received should be included.

Item 4j – Purchase of Development Rights
V1 Only

Include any payments received for the sale of development rights or easements. This is a common practice in Northeast States.

Item 4k – Tobacco Settlement Payments
V1 Only

Include any payments received under the Tobacco Settlement Agreement.

Item 4l – Other Farm Income

Report all other farm income not accounted for above. It may be helpful to prompt the respondent by referring to the list of “Other Farm Income” Items in the respondent booklet.

INCLUDE:

- (1) sales of livestock manure, straw and other by-products.
- (2) allotment or quota leases.
- (3) any Federal Excise Tax (FET) refund claimed, if the FET was included in fuels purchase cost.
- (4) hedging (futures contract) profits or losses.
- (5) refunds claimed for marketing charges which were withheld. (For example, Cotton Inc. refunds or refunds from the Dairy Refund Payment Program.)
- (6) equity or premium payments on CCC loans transferred to someone else (money received above the face value of the loan).
- (7) real estate tax rebates for land preservation.
- (8) renting or leasing of livestock.
- (9) renting or leasing of tractors, trucks, etc.
- (10) road tax refunds.
- (11) sale of water. In areas of the West, operations with irrigation rights have been able to sell a portion of their annual water allotment to municipal, commercial, and other industrial users.
- (12) sale of soil.
- (13) government payments for the sale of development rights (a

- (14) common practice in Northeast States), for **Versions 2-4 Only**
all other farm related income not included in 4a-k.

SECTION F - OPERATING AND CAPITAL EXPENDITURES

What's this Section for? How is the information used?

This section provides the data used to develop estimates of farmer's and rancher's costs of doing business -- the expense side of an income statement. Income statements of the farm sector, along with balance sheets and financial ratios, are developed from this survey and provided to the Congress by the USDA in periodic reports of the Status of Family Farms. These income statements are electronically available in the Farm Income and Costs Briefing Room on the ERS web site at: <http://www.ers.usda.gov/Briefing/FarmIncome/>. They are also presented in ERS publications such as Amber Waves, and the annual Agricultural Income and Finance Situation and Outlook Report. Each of these publications are also available via the Internet to anyone interested in farm sector financial performance. NASS will also publish a report on Farm Production Expenditures in August.

Data from the farm sector accounts are provided to the Bureau of Economic Analysis (BEA), an agency within the Department of Commerce, where they are used to estimate the Nation's Gross Domestic Product (GDP) accounts. These data insure that BEA can accurately reflect the value of agricultural goods produced in the United States relative to the other industries. Information for non-farm industries comes from IRS sample data, Census' Surveys of Population and Income, non-farm business surveys conducted by the Bureau of Labor Statistics, by the Federal Trade Commission and by BEA. Data from non-farm industries are published in BEA's Survey of Current Business.

Under- or over-reporting of costs would limit USDA's ability to accurately report the cost of producing various crop and/or livestock commodities. Since all crops and livestock produced by the farm are reported, one use of data from this section is to assess how costs are changing for different types of farms. Changes are tracked over time so USDA and Congress have the best information to understand what is taking place in agriculture today.

In this section, each major cost item is obtained--seed, fertilizer, chemicals, feed, purchased livestock, veterinary and medicines, custom services and work, labor costs including wages, taxes, benefits and services provided, fuel, utilities, repairs, overhead expenses such as insurance, accounting, attorney fees, interest, and depreciation. The detail allows us to compare and quantify, item by item, cost per unit indicators. The ability to examine expenditures this closely improves the quality of both the individual and aggregate estimates of farm expenses. While it takes longer to ask the detail of the cost statement, leaving out some costs would make net income appear larger than it in fact it is! If we did not ask for cost by item, we know from experience that respondents fail to report items, particularly items not typically in their record books.

More detail is asked on some items:

- Breeding stock is separated from other cattle, calves, hogs, pigs, sheep and lambs. This is done because purchases of breeding stock are an addition to the farm's capital, much like a truck. Operators can place breeding stock on a depreciation schedule and claim a deduction on their taxes. Thus, these purchases are not a part of ordinary operating expenses. Breeding stock is included in the balance sheet and the depreciation is included in the income statement.

Although poultry farms may also have breeding stock, all poultry is recorded in the item for all poultry and other livestock.

- Non-cash items such as depreciation, inventory adjustment, and non-cash benefits paid to workers. Although not a cash outlay, most farm operators are familiar with depreciation because it is a deduction that can be claimed on their 1040F tax form. Many farmers seek the advice of an accountant or tax advisor on how much depreciation they will claim on their buildings, equipment and breeding stock and over how many years. The amount of depreciation during a year shows what has happened to the value of a farm's capital equipment (like trucks, tractors, implements, buildings, etc.).

The entire cost of capital items cannot be deducted as a business expense in the year they are purchased or built. Rather, the cost is

spread out over their useful life. Depreciation measures the cost of using capital items during a particular year (how much they declined in value). Depreciation is a critical component of net farm income; one of the key statistics published using ARMS information. Depreciation and net farm income provide measures of how individual farmers are doing, as well as measures of how the entire farm economy is doing.

Depreciation is also used in the farm household statistics so self-employment income from farming matches the Commerce Department definition of self-employment income from a non-farm business. This allows income from farm businesses to be compared with non-farm business income by the Commerce Department, which has responsibility for statistics on all aspects of the U.S. economy.

Other non-cash items such as non-cash expenses for workers and the value of inventories are collected as part of the net farm income estimate.

Costs of Production (Version 2, 3, and 4)

Most of the information necessary to compute cost-of-production (COP) for Corn and Oats were collected in the Phase II portion of ARMS conducted in the fall. However, several questions are included in Phase III, COP questionnaires (Version 2, 3, and 4) to collect data used to compute cost-of-production. It is necessary to ask these questions in the spring because: (1) the farmer does not have a full 12 month accounting of the expense items at the time of the fall interview; (2) some costs are for farm overhead items and information about all enterprises on the farm helps allocate these costs; or (3) some data analyses can only be done when considering total farm and not simply field level costs which were collected in the fall.

Farm overhead costs for such items as farm supplies and tools, general business expenses, taxes, interest, and insurance are collected in the spring and allocated to the selected commodity based on their relative value of total farm production. Production costs for seed, fertilizer, chemicals, and other input items are used to examine the production costs and profitability of the entire enterprise instead of only for a selected field.

For the purposes of cost-of-production estimation, farm overhead is that portion of costs not directly attributable to any particular enterprise, but that must be paid for by all enterprises. Many of these items are obvious, such as general business expenses, taxes, insurance, and interest, and are easily measured. However, two items, electricity and repairs, are more difficult to measure. To simplify our measurement we have designated that electricity use and repairs for irrigation are not part of farm overhead. Therefore, questions are included in Versions 2, 3, and 4 to separate the amounts spent for these items. These amounts will be deducted from the total and the remaining electricity and repair costs will be allocated to the cost-of-production commodities.

GENERAL INSTRUCTIONS

ALL EXPENSES FOR THIS OPERATION (defined by the total acres recorded in Section A, Item 4) paid in 2005 should be included in this section. This includes expenses for the Operator, Partners, Landlords and Contractors.

Exclude expenses not related to the farm/ranch, expenses for performing custom work for others (if separate set of books are used for custom business), and household and living expenses.

Ask the respondent to use farm/ranch records and explain that the interview will probably be shorter if these records are used. You are far more likely to get accurate information from records than from respondents who are relying on memory or guess-work. The questionnaire generally reflects common record keeping systems. In addition, many of these expenses are line items on the IRS 1040F. If the respondent cannot give exact dollar figures, BEST ESTIMATES are acceptable.

Expenses for Landlords and Contractors

Expenses paid by landlords and contractors are recorded in this section. These figures are added to the expenses provided by operators for their farms to develop estimates of the total costs incurred to produce crops and livestock during the calendar year. In some situations, landlords and contractors provide a relatively large share of some expense items such as property taxes, purchases of livestock, feed, and farm supplies.

It is even more important to have a good estimate of contractor and landlord expenses when the operation's expenses are expanded to represent all farms. This gives us the estimate of total farm production expenses used to calculate net farm income. If landlord or contractor expenses are incomplete or understated, then total expenses will be understated. When that happens, the farm sector of the economy appears to be in better financial shape than it is.

Expense data reported for landlords are combined with the gross rent reported in Section A for cash rent and share rent land to develop an estimate of the net rent earned by landlords. Landlords' net rent is similar in concept to farmers' net income -- both measure economic well-being.

The expenses reported for contractors are combined with an estimate of the value of product removed under production contracts (quantity removed under contract times an average price for the state), to develop an estimate of contractors' share of net farm income.

DO NOT CONTACT LANDLORDS to complete this section. Contact contractors only when instructed to do so by the State Office.

Under most production contracts, the contractor usually either pays most of the production expenses or reimburses the contractee for the expenses while the commodity is on the contractee's operation. Sometimes reimbursement for these expenses is added to the amount paid to the contractee for services. Settlement sheets or other contract documents usually break out reimbursed expenses. Reimbursed expenses should be included in this section.

Sometimes the contractor charges the operator for some expenses the contractor originally paid. Examples of this are sometimes found in production contracts for processing vegetables, where the contractor originally paid for items such as seed and chemicals. Then the contractor charges the operator for their costs, as deductions from the gross value on the settlement sheet. These expenses should be recorded in the contractor column.

If the operator cannot provide settlement sheets (or otherwise report contractor expenses), explain in notes the type and amount of services provided by the contractor. Record the contractor's name, address and

phone number so the State Office can contact the contractor to get the information. This contact should be made only through (or by) the State Office to avoid the possibility of several enumerators contacting the same contractor. Enumerators assigned to complete any of the follow-up interviews with contractors can get the information on expenses paid by the contractor using a blank questionnaire or by using a contractor expense worksheet provided by some State Offices.

Most operators will know what expenses were paid for by their landlords. If for some reason, the operator cannot provide these numbers, **DO NOT CONTACT THE LANDLORD(S)**. If the operator does not know the amount paid by their landlords, they should know which items were paid. If this happens, provide detailed notes explaining which items were paid for by the landlords so the State Office can provide an estimate for these expenses. Determining whether landlords paid taxes on rented land is particularly important.

Expenses in this section are divided into three columns: Operator and Partners, Landlords, and Contractors. Be sure to record the expenses in the correct column. Probe to verify the respondent has reported costs associated with each item that were paid for by the landlord or contractor.

Item 1 – Seeds, Plants, Trees, etc.

This item refers to the cost of any purchases in 2005 whether they were entirely used or not. For example, a farm may have purchased \$1,000 of seed but only planted \$800 of it. In this case, record the \$1,000. Make sure the respondent accounts for all purchases of seed, sets, plants, trees, etc., not only the amount used to plant the crop harvested. These expenses are often a line item in record books (and on the IRS 1040F). Note that operations can have these expenditures even when they did not have any harvested acres. Be sure the operator remembers to include any expenses for seed for pastures.

INCLUDE:

- (1) expenditures for cleaning or treating homegrown seeds or plants.
- (2) expenditures for trees or shrubs used as windbreaks or for reforestation (if the operation did not consider this a capital expense).
- (3) seed expenses for cover crops planted on idle land.

- (4) expenditures for plants purchased and transplanted to grow as a crop (for example, tobacco transplants).
- (5) technology fees for purchasing genetically altered seed.

EXCLUDE:

- (1) expenses for items purchased for direct resale.
- (2) value of homegrown seed.
- (3) tree purchases that were considered capital expenses (land improvements). These should be recorded in Item 33.

**Item 1a – Amount of Seed Expense for Corn & Oats
V2 & V3 Only**

Record the dollar amount of the total (Item 1) seed and plant expense that was for the Corn or Oats enterprise.

Item 2 – Fertilizer, Lime, and Soil Conditioners

This expense is a line item in almost all farm record books (and on the IRS 1040F).

INCLUDE expenses for:

- (1) all commercial fertilizer
- (2) fertilizer-pesticide combinations
- (3) pre-emergence herbicides mixed with fertilizer sold as one product
- (4) trace elements (micro nutrients) such as zinc and copper
- (5) lime and all soil conditioners, purchased manure, cottonseed hulls, sludge, gypsum, sulfur, marl, peat, and other conditioners
- (6) application costs if materials were custom applied.

**Item 2a – Total Fertilizer Expense for Corn or Oats
V1 & V2 Only**

Record the dollar amount of the total (Item 2) fertilizer expense that was for the Corn or Oats enterprise.

Item 3 – Agricultural Chemicals

Chemical expenses are recorded as a line item in most record books (and the IRS 1040F). Include crop, livestock, dairy, poultry, and general farm use chemicals.

INCLUDE expenses for:

- (1) insecticides, herbicides, fungicides, defoliants, nematocides, fumigants, growth regulators, and rodenticides used on crops, pastures, seeds, crop storage buildings or seed beds for the control of all types of weeds, diseases, insects, rodents, fungi, nematodes and other predators.
- (2) all sprays, dusts, granules or other materials.
- (3) application costs if materials were custom applied.
- (4) carrier materials such as fuel oil, solvents or wetting agents mixed with pesticides.
- (5) all pesticides applied to crops or buildings even if all or part was paid by the government.
- (6) all sprays, dips, dusts, dairy pesticides, udder antibacterial disinfectants, and other chemicals purchased for use on livestock. If the respondent records these items under supplies, try to get them broken out and include them here.

EXCLUDE expenses for:

- (1) the value of pesticides in fertilizer-pesticide combinations (record in Item 2).
- (2) cleaning chemicals for equipment and buildings on dairy and other livestock enterprises (record these expenses in Item 13).

**Item 3a – Custom Application Expense for Specific Commodities
V1 Only**

Record the dollar amount of the total (Item 3) chemical expense that was for custom application.

**Item 3a – Chemical Application Expense for Specific Commodities
V2, V3 & V4 Only**

Record the dollar amount of the total (Item 3) chemical expense that was for the Corn, Oats, and Dairy enterprise. In the dairy version, exclude the expense for chemicals applied to crops used as dairy feed.

Livestock Expenses Items 4-8

Purchased feed, livestock purchases, livestock leases and livestock expenses such as breeding and veterinary services are usually recorded as line item expenses in record books. You may have to probe to break figures out for some of the expense categories.

Exclude all expenses incurred by feedlots and other types of contractees that fed this operation's livestock on a custom basis. If this operation is a feedlot, include only expenses for which it was not reimbursed in the Operator column. Expenses for which the operation was reimbursed should be recorded in the Contractor column.

Purchases of livestock and poultry during 2005 should include the price of the animals plus commission, yardage, insurance and fees.

In large integrated operations livestock or poultry are usually transferred from one production phase of the operation to another production phase. Although this is not a true purchase, we need an estimate of the value of the livestock or poultry at the points they move between production phases to accurately gauge the net value of production. An example of this is a hatchery that receives hatching eggs from another part of the integrated operation. We would obtain an estimated value or "book value" of the hatching eggs in this item. Without an estimated cost of hatching eggs to the hatchery, the net value of the hatchery output would be overstated. This practice is in line with accounting practices of non-farm corporations that assess the "profitability" of each phase of production. This makes it possible to compare profitability of farms with non-farm businesses at the State and National level.

Livestock Purchases

Item 4a – Breeding Stock

INCLUDE expenses for:

- (1) BEEF animals to be used as breeding stock or herd replacement for this operation, regardless of age.
- (2) MILK cows.
- (3) DAIRY animals to be used as breeding stock or herd replacement for this operation, regardless of age.
- (4) all gilts, sows and boars purchased for breeding purposes.
- (5) all ewes, rams and lambs purchased for breeding purposes.

Item 4b – All Other (Non-breeding) Cattle, Calves, Hogs and Pigs

INCLUDE expenses for:

- (1) any cattle or calves not purchased for breeding herd replacement or expansion.
- (2) cattle placed in a feedlot.
- (3) all other hogs and pigs such as feeder pigs and market hogs.

Item 4c – Chickens and Turkeys Purchased

Record the total cost for all chickens and turkeys purchased by the operation or transferred from one production phase of the operation to another production phase in 2005. Transfers are not a true purchase, but we need an estimate of the value of the poultry moving through the operation.

Include poultry raised under contract only if the operation is considered to have purchased the birds. In most contract arrangements, the contractee does not purchase the birds. In this case, record the value of the poultry at the time it was placed on the operation as a contractor expense.

The respondent should have settlement sheets from their contractor for each flock that list these expenses. Expenses are listed either as a total for each item or on a per pound basis. Total expense for the year is determined by the number of flocks or total pounds of birds raised. If the operator cannot provide a settlement sheet or report the expenses, find out how many birds the operation grew under contract in 2005, and explain

with a note.

Item 4d – Other Livestock, Poultry, Fish, Bees, etc.

INCLUDE expenses for:

- (1) all sheep and lambs, other than for breeding stock.
- (2) mules, goats, all horses and ponies, etc.
- (3) ducks, geese, guineas, pigeons, etc.
- (4) hatching eggs.
- (5) bees purchased.
- (6) rabbits, mink and other fur bearing animals.
- (7) catfish or other fish raised commercially or used for home consumption.
- (8) milk and eggs purchased to fulfill marketing agreements.
- (9) dogs used to work livestock or as guard dogs for the operation.
- (10) all other livestock or products not already included.

Exclude expenses for animals kept only as pets.

Item 5 – Leasing Livestock

INCLUDE expenses for:

- (1) Renting or leasing of livestock by this operation.
- (2) Renting bees and bee hives.

**Item 5a – Leasing Livestock for Dairy Operation
V4 Only**

Record the amount of leasing expenses that was for the dairy operation.

Item 6 – Purchased Feed

This expense is a line item in most farm record books
(and the IRS 1040-F).

Include all feed grains, hay, forages, mixed or formula feeds, concentrates, supplements, premixes, salt, minerals, animal by-products and all other feed additives and ingredients.

**Item 6a – Purchased Feed for Dairy Operation
V4 Only**

Record the amount of feed expense that was for the dairy operation.

Item 7 – Bedding and Litter

Record the amount spent by the operation in 2005, for bedding and litter for livestock, dairy and poultry.

INCLUDE expenses for:

- (1) straw, hay, etc.
- (2) sawdust, wood chips, corn stalks, etc.
- (3) all other bedding and litter items.

**Item 7a – Bedding & Litter for Dairy Operation
V4 Only**

Record the amount of bedding and litter expenses that was for the dairy operation.

Item 8 – Medical Supplies, Veterinary, and Custom Services for Livestock

INCLUDE expenses for:

- (1) feed processing, grinding and mixing services (cost of feed should be included in Item 6). If the respondent includes custom feed processing with feed costs in farm records, try to get this item broken out and include it here.
- (2) veterinary services or supplies.
- (3) miscellaneous livestock and poultry medical services and supplies (regardless of where purchased).
- (4) sheep shearing.
- (5) horse-shoeing for work horses used on the operation.
- (6) removal of dead animals.
- (7) branding.
- (8) castrating and caponizing.
- (9) artificial insemination and breeding.
- (10) performance testing.
- (11) seining of fish.
- (12) semen.

EXCLUDE expenses for manure disposal. These will be reported in Item 29a.

**Item 8a – Medical Supplies, Veterinary, and Custom Services for Dairy
V4 Only**

Record the amount of medical, veterinary, and custom service expenses that were for the dairy operation.

**Item 8a(i) – Medical Supplies and Services for Dairy Operations
V4 Only**

Include expenses such as

- (1) Disease treatment & testing
- (2) Vaccines
- (3) bSt
- (4) Other pharmaceutical products

**Item 8a(ii) – Testing Agency Fees
V4 Only**

Record the amount of medical, veterinary, and custom service expenses that were for testing agencies fees, such as Dairy Herd Improvement Association (DHIA).

**Item 8a(iii) – Other Supplies and Services
V4 Only**

Record the amount of medical, veterinary, and custom service expenses that were for other supplies and services such as

- (1) dead animal removal
- (2) branding.
- (3) tagging
- (4) castration
- (5) artificial insemination and breeding
- (6) pregnancy testing

Items 9-13 – Fuels, Utilities, and Purchased Water (Farm Share Only)

These questions ask for the total spent for the farm share of utilities, fuels and irrigation water. Farm record books (and the IRS 1040F) have an entry for total gasoline, fuel and oil expenses. Only the FARM SHARE should be reported, which is whatever the operation took as its business expense on its tax form and/or income statement. One way to help the operator report here, especially if his records are itemized differently, is to remind him of how the costs would have been incurred, such as for operating irrigation pumps, drying equipment, motor vehicles, machinery,

etc.

For farm share of utility expenses, include monthly or annual charges to maintain service even when a utility is not being used (stand-by fees). Also include emergency electric guarantee fees, etc.

If farm and home meters are separate, exclude costs for water and/or electricity for the home except in situations where the farm office is in the home. In this case, include the farm share of home water and/or electricity expense. If some or all of the farm buildings shared the same meter as the home, include only the farm's share of the costs in this item.

INCLUDE expenses for:

- (1) FARM SHARE ONLY of all fuels used (on this operation) in autos, trucks, tractors, self-propelled machinery (combines, swathers, etc.), irrigation pumps, elevators, chain saws, etc.
- (2) all fuels for heating and lighting farm buildings.
- (3) fuels used to heat a farm office (including the cost of coal or wood).
- (4) fuels used for drying or curing crops (including the cost of coal or wood).
- (5) fuel for vehicles and machinery used both on this operation AND for custom work or machine hire, provided these activities are NOT a separate business (See (1) under exclude below). Income from custom work and machine hire will be reported as farm-related income in Section E, Item 4a.
- (6) aviation fuels.
- (7) Federal excise fuel taxes. (Refunds of Federal excise fuel taxes paid should be reported as other income in Section E, Item 4l.)
- (8) Purchased irrigation water and the costs of electricity or other fuel associated with irrigating.
- (9) All farm share expenses for other utilities including telephone service and water other than irrigation.

EXCLUDE expenses for:

- (1) fuel for machinery used only for custom work where separate books were kept and income from custom work was considered to be from a separate business.
- (2) petroleum products used as carriers with pesticide sprays. (These should be included in Item 3 in this section.)
- (3) fuel used in motor vehicles for non-farm use and in other engines or machinery used for non-farm purposes.
- (4) fuels used for heating or cooking in the operator's residence.
- (5) fuel provided to farm employees for non-farm use as a non-cash benefit.

Item 9 – Fuel Expense
V2,V3,V4 Only

Record the farm share of the total fuel expense including diesel fuel, gasoline and gasohol, natural gas, LP gas (propane and butane), all other fuels (coal, fuel oil, kerosene, wood, etc), and oils and lubricants (grease, hydraulic fluids, motor oils, transmission fluids, etc.).

Item 9a – Diesel Fuel
V1,V4,V5 Only

Record the farm share of expenses for diesel.

Item 9a – Fuel Expense for Irrigation
V2&V3 Only

Record the farm share of total fuel expenses for irrigation.

Item 9a (i) – Fuel Expense for Water Pumped from Wells
V2&V3 Only

Record the portion of total fuel expense for water pumped from wells.

Item 9b – Gasoline and Gasohol
V1,V4,V5 Only

Record the farm share of expenses for gasoline and gasohol.

Item 9b – Fuel Expense for the COP Enterprise
V2&V3 Only

Record the dollar amount of the total (Item 9) fuel expense that was for the Corn or Oats enterprise.

Item 9c – Natural Gas
V1,V4,V5 Only

Record the farm share of expenses for natural gas.

Item 9d – LP Gas
V1,V4,V5 Only

Record the farm share of expenses for LP gas (propane, butane).

Item 9e – Oils and Lubricants
V1,V4,V5 Only

Record the farm share of expenses for oils and lubricants. Include grease, hydraulic fluids, motor oils, transmission fluids, etc.

Item 9f – All Other Fuels
V1,V4,V5 Only

Record the farm share of all other fuels. Include coal, fuel oil, kerosene, wood, etc.

Item 9g – Fuel Expense for the Dairy Enterprise
V4 only

Record the dollar amount of the total (Item 9) fuel expense that was for the Dairy enterprise. **Exclude** the fuel expense for field operations used to produce dairy feed.

Item 10 – Electricity

Record the farm share of the total amount spent for electricity, including irrigation. Include electricity for the farm office, barns and other farm buildings. If the farm office is in the home, include only the farm's share of the home electricity expense. Include monthly or annual charges to maintain service even when electricity is not being used. Include

emergency electric guarantee fees, etc.

Item 10a – Electricity for Irrigation
V2,V3,V4 only

Record the dollar amount of the total (Item 10) electricity expense that was for the irrigation.

Item 10a(i) – Electricity Expense for Corn or Oats
V2&V3 Only

Record the dollar amount of the total (Item 10a) electricity for irrigation that was for the Corn or Oats enterprise.

Item 10a(ii) – Electricity Expense for Water Pumped from Wells
V2&V3 Only

Record the dollar amount of the total (Item 10a) electricity for irrigation that was for water pumped from wells.

Item 10b – Electricity for Drying
V2,V3,V4 Only

Record the dollar amount of the total (Item 10) electricity expense that was for the drying.

Item 10b(i) – Electricity Drying Expense for Corn and Oats
V2&V3 Only

Record the dollar amount of the total (Item 10b) electricity for drying that was for the Corn or Oats enterprise.

Item 10c – Electricity for Specialized Livestock Production Facilities
V2,V3,V4 Only

Record the dollar amount of the total (Item 10) electricity expense that was for the specialized livestock production. Include specialized production for dairies, feedlots, poultry houses, swine buildings, etc.

Item 10c (1) – Electricity for Specialized Livestock for Dairy

Of the amount recorded in Item 10c, record the amount that was specifically for the Dairy enterprise.

Item 11 – Purchased Irrigation Water

Record the total costs of purchased irrigation water acquired from any off-farm water source to irrigate crops on the farm. Include any drainage assessments, delivery charges, or other fees associated with the purchased water, and any standby fees and/or taxes which must be paid even if no water is used.

**Item 11a – Purchased Irrigation Water For Corn or Oats
V2,V3 Only**

Record the dollar amount of the total (Item 11) purchased water for irrigation expense that was for the Corn or Oats enterprise.

Item 12 – All Other Utilities

Record the farm share of the total expense for telephone service and calls, water (other than for irrigation), and all other utilities not previously reported. Include monthly or annual charges to maintain service even when the utility is not being used (stand-by fees). If farm and home meters are separate, exclude all costs for utilities for the home except in situations where the farm office is in the home. In this case, include the farm share of the utility expenses for the office. If some or all of the farm buildings shared the same meter as the home, include only the farm's share of the costs.

Item 13 – Farm Supplies, Marketing Containers, Tools, Shop Equipment, etc.

Record expenses for miscellaneous supplies and equipment, marketing containers, hand tools and farm shop power equipment not placed on a depreciation schedule. (Power equipment is defined as equipment requiring fuel or electricity to operate). Exclude expenses for containers purchased for direct resale to consumers. Exclude expenses for fencing and irrigation equipment--these will be collected separately.

INCLUDE expenses for:

- (1) baling wire and twine.
- (2) carpentry supplies, electrical supplies and plumbing supplies.
- (3) mechanic's tools, pliers, wrenches, etc.
- (4) axes, bolt cutters, fencing tools, forks, picks, scoops, shovels, spades, etc.
- (5) power drills, grinders, saws, sanders, welders.
- (6) compressors.
- (7) acetylene gas, oxygen and welding rods.
- (8) chain saws.
- (9) battery chargers.
- (10) bolts, chains, nails, rope, etc.
- (11) hoists, jacks, winches, etc.
- (12) ladders.
- (13) scales.
- (14) attachments and accessories for any Items in this category.
- (15) fuel tanks.
- (16) agricultural bags, canvas, polyethylene film, tarpaulins, etc.
- (17) rain gear or other protective clothing purchased for use on the operation.
- (18) other supplies and tools which are generally reusable and which are not included elsewhere.
- (19) repair of tools and other Items in this category.
- (20) dairy equipment cleaning chemicals (detergents, sanitizers, etc.)
- (21) containers purchased for planting, growing, harvesting or marketing any commodity.
- (22) baskets, boxes, flats, trays, sheets, totes, bins, crates, wool bags, etc.
- (23) rental or per unit fees for containers, sheets, etc. provided by a marketing association or cooperative.
- (24) usage charges or rental fees for containers provided by a buyer, shipper, or packer.
- (25) nursery and greenhouse containers purchased for nursery production, even if they are to be resold with the plant. Exclude containers purchased for immediate resale.

**Item 13a – Marketing Containers
V1&V4 Only**

Of the amount reported in Item 13, report the amount that was specifically spent on marketing containers.

Item 14 – Repairs, Parts and Accessories for Vehicles, Machinery, & Equipment

Record the total FARM SHARE of expenses for materials, labor, parts and services for repair and upkeep of motor vehicles and equipment. Include the cost of accessories for machines and equipment. If they are not listed separately in the operator's records, family use expenses may be included.

INCLUDE expenses for all:

- (1) tune-ups or overhauls of machinery or equipment.
- (2) damage repairs even if covered by insurance settlements.
- (3) maintenance and repairs for all vehicles, machinery, equipment, implements, irrigation and frost protection equipment, etc.
- (4) parts and accessories for vehicles and equipment

Examples of these expenses include:

- (1) hitches.
- (2) wheel weights (including fluid).
- (3) mirrors, radios, etc.
- (4) tractor cabs, air conditioners, etc.
- (5) electric sensor systems.
- (6) any other accessories.
- (7) services and parts for overhauls, tuneups, tubes, tires and repair of equipment.
- (8) brake adjustments and exhaust system repairs.
- (9) front end alignments, steering adjustments, wheel balancing and replacement of shock absorbers.
- (10) replacement or repair of carburetors, fuel pumps, fuel injector systems, water pumps, electrical systems, clutches and transmissions, body work, frame repairs, painting and glass replacement.
- (11) major engine overhauls and minor tune-ups, valve and ring jobs.
- (12) replacement parts for all machinery including disk blades, cultivator sweeps and shovels, sickles, guards and baler parts.
- (13) repair of livestock or poultry equipment.

- (14) hydraulic cylinders.
- (15) frost protection system repairs and maintenance.

EXCLUDE expenses for:

- (1) accessories included in the purchase cost of vehicles, machinery, equipment, etc.
- (2) beds, boxes and hydraulic systems purchased separately from a newly purchased truck. Record this in Item 42.

Item 14a – Repairs, Parts and Accessories for Vehicles, Machinery, & Equipment For Corn, Oats or Dairy

V2,V3,V4 Only

Record the dollar amount of the total (Item 14) repairs, parts, accessories for motor vehicles, machinery and farm equipment expense that was for the Corn, Oats or Dairy enterprise.

Item 15 – Maintenance/Repair of Farm Buildings and Land Improvements

Record all expenses associated with maintenance of fences, buildings and other structures, and land improvements. Maintenance and repair expenses for existing land and conservation improvements are those expenses the operation has on a regular basis and which have to be done for these improvements to continue to be useful. Example: annual leveling done for irrigation systems and repairing existing dikes and ponds.

INCLUDE maintenance and repair of:

- (1) houses for hired farm/ranch labor or tenants.
- (2) all other farm/ranch buildings such as barns, shops, storage facilities, sheds, silos, bins and similar structures.
- (3) wells.
- (4) drainage facilities.
- (5) all other farm improvements.

Exclude any new construction or remodeling expense (report in Items 34, or 35).

Item 15a – Maintenance/Repair of Farm Buildings and Land Improvements for Specialized Livestock Production Facilities
V2,V3,V4 Only

Record the dollar amount of the total (Item 15) maintenance/repair of farm buildings and land improvements that were for specialized livestock production facilities. Include dairies, feedlots, poultry houses, and swine buildings.

Item 15a (i) – Expenses for Dairy Enterprise
V4 Only

Of the expenses reported in 15a, record the amount that was specifically for the Dairy enterprise.

Item 15b – Maintenance/Repair of Farm Buildings and Land Improvements for Irrigation Equipment and Pumps
V2,V3,V4 Only

Record the dollar amount of the total (Item 15) maintenance/repair of farm buildings and land improvement expenses that were for irrigation equipment and pumps.

Item 15b (i) – Maintenance/Repair of Farm Buildings and Land Improvements for Irrigation and Pumps for Corn or Oats
V2,V3 Only

Record the dollar amount of the total (Item 15b) maintenance/repair of farm buildings and land improvement expense that were for irrigation equipment and pumps that for the Corn or Oats Enterprise.

Item 16 – Maintenance and Repair of the Operator's House

Record the total amount spent in 2005 for maintenance and repairs to the operator's house, if it was owned by the operation.

If the operator does not understand what is meant by “owned by the operation”, offer the definitions noted on the questionnaire. Owned by the operation can mean either the house is recorded as an asset in farm record

books, used as security/collateral for a farm loan, or deeded as part of the farm.

Exclude any new construction or remodeling expense (report in Item 35).

Item 17 – Insurance

Include the farm share of all types of insurance including casualty insurance, crop and livestock insurance, motor vehicle liability, blanket insurance policies, etc. In most record books, insurance expense is a line item. The IRS 1040F also contains a similar expense item. Exclude premiums paid in earlier years for coverage in 2005. Also exclude premiums paid for life, health, and other payroll insurance.

All expenses for this item should be for the farming operation only. Health insurance, life insurance, etc. would be included in Section J, Item 21d, as part of the household expenses.

Item 17a – Crop Insurance

Record the dollar amount of the total (Item 17) insurance expense that was for crop insurance.

**Item 17a (i) – Crop Insurance for Corn or Oats
V2,V3**

Record the dollar amount of the total (Item 17a) crop insurance expense that was for the Corn or Oats enterprise.

Item 18a – Interest and Fees Paid on Debts

Record the total amount spent by the operation in 2005 for interest and service fees for all loans owed by the operation which were secured by real estate. “Secured by real estate” means real estate, such as land, building or a home that was used as collateral in obtaining the loan.

EXCLUDE:

- (1) interest on farm debts that was not part of this operation.
- (2) interest on the operator's residence if it is owned by the operator separately from the operation.

- (3) payments made on the loan principal amount.
- (4) interest and fees paid on debts NOT secured by real estate.

Item 18b – Interest and Fees Paid on Debts NOT Secured by Real Estate

Record the dollar amount spent by the operation in 2005 for interest and service fees for all loans owned by this operation which were not secured by real estate—machinery, tractors, trucks, other equipment, fertilizer, feed, seed, or livestock and poultry, breeding stock, money borrowed for use as working capital, and interest paid on CCC loans. Exclude interest and fees paid on debts secured by real estate which are reported in Item 18a.

Item 19a – Real Estate Taxes

Record the amount of real estate taxes paid by the operation in 2005. This is a line item in most farm record books (and the IRS 1040F.) Exclude taxes paid on personal property (they are included in Item 19b).

Some States allow homestead exemptions, old age exemptions, etc., so all land owners may not be required to pay taxes on any, or a part, of their land. If the operation is not required to pay taxes due to an exception, make a note on the questionnaire.

INCLUDE:

- (1) taxes on farm land and buildings only.
- (2) taxes paid in 2005, even if they were levied in another year.
- (3) all partners' shares of taxes when a partnership is reported.

EXCLUDE:

- (1) taxes on personal property (include in Item 19b).
- (2) income taxes paid to IRS.

Item 19b – Other Property Taxes

Personal property taxes may be assessed on things such as cars, trucks, farm machinery, livestock, production inputs, etc. that are not associated with land or buildings. Record the total amount this operation paid in 2005 for property taxes other than land or buildings. Exclude vehicle registration and license fees; they will be collected in Item 21.

Item 20 – Renting and Leasing Vehicles, Tractors, Equipment and Storage Structures

Record the total 2005 expense for renting or leasing all vehicles, tractors, farm machinery, equipment and structures.

Item 21 – Vehicle Registration and Licensing Fees

USDA accounts for income generated on farms in a manner consistent with that used internationally, following guidelines established by the Organization for Economic Co-operation and Development (OECD). The U.S. value-added measure includes payments-linked-to-production paid to governments as an expense category. Property taxes and vehicle registration and licensing fees are components of this category.

Record the total expense paid by the operation in 2005 for the farm share of registration and license fees for motor vehicles, trailers, etc. Also include hazardous material (HAZ-MAT) hauling license fees required in some states to haul agricultural chemicals on public roads. If license fees associated with new vehicles were collected by the dealer when the vehicle was sold, they should be listed on the purchase agreement or bill of sale. Probe to be sure personal property taxes assessed on purchased vehicles are not included in this item. These taxes should be recorded in Item 19b.

Item 22 – Depreciation for Capital Assets

Feed, seed, fertilizer, and other production inputs are typically used completely in each year, and their cost is usually considered an expense in that year. Capital assets, on the other hand, typically last for more than one year, so the cost of those assets must be allocated over the years that the asset is used. Depreciation is the portion of an asset's value that is "used up" in each year it is employed in production. In figuring net income for tax purposes, this cost usually equals the original price of an item spread over the years in the service life set for the item by the IRS. Accountants and tax advisors usually determine a depreciation schedule (over how many years will capital assets be used up) for the farmer.

Farmers often rely on the expertise of their accountant or tax advisor for this item. However, this item is available on the IRS 1040F. For this

survey, use the depreciation amount claimed by the respondent on his income tax return. You may refer a respondent directly to the 1040F item, but only if he/she seems agreeable.

If the operator has been farming a long time, his equipment and breeding stock may be 'depreciated out', meaning he did not claim any on his 2005 taxes. If this is the case, make a note explaining the situation.

If the operation is a partnership, include the amount claimed by partners. DO NOT enter the CURRENT VALUE of depreciable assets.

Item 22a – Depreciation for Breeding Livestock

Record the amount of Item 22 that was specifically for breeding livestock.

Items 23-31 – Labor Expenses

Item 23 – Cash Wages Paid to Hired Workers

Record the total cash wages and bonuses paid to all hired farm and ranch labor on this operation in 2005 for agricultural work.

INCLUDE in the total amount paid:

- (1) cash wages, incentives, bonuses and profit percentages paid to workers doing agricultural work on land in the operation in 2005.
- (2) wages paid to family members and corporate officers.
- (3) salaries of hired managers.
- (4) the SALARY paid to the operator. (Do not include "draws". "Drawing" is taking money out of the farm/ranch business for household expenses or other non-farm/ranch expenses.)

EXCLUDE from the total amount paid:

- (1) wages paid for housework.
- (2) expenses for contract labor (record in Item 28).
- (3) money taken by the operator's household on a "draw".
- (4) Employer's share of payroll taxes including Social Security, Unemployment, Workers's Compensation, etc. (record in Item 25).
- (5) benefits such as health insurance, life insurance, pensions, retirement, etc. (record in Item 25).

Paid labor includes only those workers whose pay was considered a business expense of the farm/ranch operation during 2005. These workers should have gotten a W-2 form from the operation, but for some reason they may not have. The key point in this item is that if the wages paid to the workers were considered a business expense to the operation, include them here. Operators who had more than 500 work hours of farm labor in any quarter during 2005 are affected by minimum wage laws.

Paid labor **INCLUDES**:

- (1) agricultural workers on the payroll no matter where they worked.
- (2) agricultural workers on paid vacation or sick leave.
- (3) service workers provided to other operations by the selected operation.
- (4) family members who were paid by the operation.

In order to be counted as agricultural workers, employees must be involved in activities defined as being agricultural work.

INCLUDE as Agricultural Work:

- (1) work done **ON** this operation in connection with the production of agricultural products, including nursery and greenhouse products and animal specialties such as furs, fish, bees, honey, etc.
- (2) work done **OFF** this operation such as trips for marketing products of the operation, buying feed, delivering products to local markets or handling other farm-related business.
- (3) repairs of farm/ranch buildings and machinery when performed along with other work classified as agricultural work.
- (4) bookkeeping done by an employee of the operation.
- (5) managing a farm/ranch for a salary.
- (6) meal preparation for work crews.

EXCLUDE from Agricultural Work:

- (1) housework such as cooking, cleaning, babysitting, etc. done in the operator's home.
- (2) operating a gasoline station, store or other such non-agricultural enterprise even if it was located on the operation.
- (3) work involved in training, boarding or renting animals such as horses and dogs unless it was part of, and cannot be separated from, the business of raising the animals.
- (4) caring for research animals.

- (5) work at a roadside stand (or farm store) UNLESS the operation produced more than 50 percent of the products sold at the stand.
- (6) work which alters the commodity produced (such as wineries, canneries, textile mills, etc.) even if it is done on the operation and the workers are paid by the operator. Make a note if the respondent cannot separate these workers and their wages from operation's total payroll.
- (7) all work provided by service firms such as cotton ginning (record as a marketing charge), commercial bookkeeping, legal and other professional services provided at a location off the farm (record in Item 36). All other items except the ginning and farm management (professional) services should be recorded as a general farm business expense in Item 37.

**Item 23a – Cash Wages for Corn, Oats or Dairy
V2,V3,V4 Only**

Record the dollar amount of the total (Item 23) cash wages paid to hired farm and ranch labor that was for the Corn, Oats or Dairy enterprise. In the dairy version, exclude the expense for labor used to produce crops used as dairy feed.

Item 24 – Breakout of Cash Wages Paid

The breakout of total cash wages is important to assure that the respondent includes cash wages paid to self, spouse, other operators, and other family members. The wages paid to farm and ranch labor are more obvious to the operator when he/she responds to this section. This breakout also allows for the proper allocation of cash wages to operator household income when we process the data. Record the actual dollars paid of the total cash wages paid (Item 23) to people in each of the categories listed. The sum of 24a + 24b + 24c+24d MUST equal the total reported in Item 23.

Item 24a – The Operator

Record the amount paid to the operator (include a hired manager's salary - a hired manager is a salaried or hourly employee that gets a fixed wage or salary paid out from either the owner or the farm's financial accounts to

manage and make day-to-day decisions for the farm. Bonuses are part of the hired manager's salary).

Exclude money taken out of the operation on a draw by the owner/operator.

Item 24b – Wages paid to Spouse

Record the amount paid to the principal operator's spouse.

Item 24c – Other Household Members

Record the amount paid to the other members of the operator's household. Exclude salaries paid to partners (unless they live in the household) and to their household members. These should be included in Item 24d.

Household members include everyone who lives in the operator's house and shares the financial resources of the operator. Usually these are family members. Include people who do not live in the house if they are dependents of the operator (college students, etc.).

Item 24d – Other Operators

Record the amount paid to other operators for this operation. These are persons responsible for the day-to-day management decisions for this operation, including hired managers as defined in 24a. Exclude operators that are household members of the principal operator. These should be included in 24c.

Item 24e – Everyone Else

Record the amount paid to all hired workers of the operation except those included in Items 24a, 24b, and 24c. Include salaries of partners and wages paid to their family members.

Item 25 – Payroll Taxes and Benefits

Record the total dollars spent by this operation for payroll taxes (Social Security, Unemployment, Workers' Compensation, etc.), life insurance, health insurance, pensions, retirement, etc. for employees of this operation. If the employees paid a share of some of these items and their

share was withheld from their wages, the expense for their share should be included in Items 23 and 24.

When the operator or the operator's spouse was a paid employee of the operation, and the operation paid for health insurance for the farm family as a benefit of this employment, this is a valid business expense and should be included in this item.

**Item 25a – Payroll Taxes and Benefits for Corn, Oats or Dairy
V2,V3,V4 Only**

Record the dollar amount of the total (Item 25) payroll taxes and benefits expense that was for the Corn, Oats, or Dairy enterprise.

**Item 26 – Breakout of Payroll Taxes and Benefits paid out for
V1 Only**

Record the percentage of payroll taxes and benefits paid out to each of the following operators and employees. The percentages must sum to 100 percent.

**Item 26a – The Operator
V1 Only**

Record the amount of payroll taxes and benefits paid out for the operator (include a hired manager's salary). Exclude money taken out of the operation on a draw by the owner/operator.

**Item 26b – The Operator's Spouse
V1 Only**

Record the amount of payroll taxes and benefits paid out for the principal operator's spouse.

**Item 26c – Other Household Members
V1 Only**

Record the amount of payroll taxes and benefits paid out for the other members of the operator's household. Exclude those paid for partners (unless they live in the household) and to their household members. These

should be included in Item 26d. Household members include everyone who lives in the operator's house and shares the financial resources of the operator. Usually these are family members. Include people who do not live in the house if they are dependents of the operator (college students, etc.).

**Item 26d – Other Operators
V1 Only**

Record the amount of payroll taxes and benefits paid out for other operators for this operation. These are persons responsible for the day-to-day management decisions for this operation, including hired managers. Exclude operators that are household members of the principal operator. These should be included in 26c.

**Item 26e – Everyone Else
V1 Only**

Record the amount of payroll taxes and benefits paid out for all hired workers of the operation except those included in Items 26a, 26b, and 26c. Include taxes and benefits for partners and wages paid to their family members.

**Item 27 – Payments for Health Insurance for Operator & Household
V1 Only**

Record the amount paid by the operation in 2005 for health insurance for the operator and members of the operator's household.

Item 28 – Contract Labor Expense

Record the total amount spent by the operation in 2005 for contract agricultural labor.

Contract workers are paid by a crew leader, contractor, buyer, processor, cooperative or other person who has an oral or written agreement with a farmer/rancher. Record the total expenses for contract labor used in 2005.

INCLUDE:

- (1) contract expenses for workers hired to harvest fruits, vegetables, potatoes, berries and all other crops.
- (2) other agricultural work which was performed on a contract basis by a contractor, a crew leader or a cooperative.

- (3) expenses for work done by any custom operator who does not provide his own machinery and who was hired on a contract.

Exclude expenses for contract construction or maintenance of buildings and land improvements. Contract labor expenses for maintenance and repair should be reported in Item 15. Contract labor expenses for all new construction should be reported in Items 33-35.

**Item 28a – Contract Labor for Corn, Oats or Dairy
V2,V3,V4**

Record the dollar amount of the total (Item 28) contract labor costs that were for the Corn, Oats or Dairy enterprise.

Item 29 – Custom Work

Custom work is work performed by machines and labor when it is hired as a unit. Expenses for transporting or hauling animals or other products such as milk to the processor goes here if the driver and the vehicle are hired together. Loading is probably also part of the fee. If only the labor is hired (no machines or vehicles), then the expense goes either under Item 28 if the labor is contract labor, or in Item 23 if the labor was seasonal hired labor.

Item 29a – Custom Hauling

Record the total cost for all hauling done for this operation by a custom operator. Examples of custom hauling are paying a driver with his truck to haul grain to the elevator, livestock hauled to an auction, and milk hauled to a pooling station. At this point in the interview you will know enough about the operation to probe for specific hauling expenses the operation may have. For example, if you are interviewing a dairy farmer, probe to be sure milk hauling is included. Most dairies have an expense for custom hauling, but may overlook that expense or not consider it “custom” work.

INCLUDE:

- (1) hauling to market.
- (2) hauling between farm/ranch parcels.

- (3) milk hauling charges. (If these were deducted from the operator's milk check, add them back to get the “net” figure we want in Section E).
- (4) hauling of feed, seed and fertilizer to the operation.
- (5) manure hauling.
- (6) all other hauling charges for the operation.

Item 29b – Other Custom Work

Most farm accounting record books (and the IRS 1040F) have a line for total expense for custom hire (machine work). Custom work is defined as work performed by machines and labor hired as a unit. Other custom work on crops would include custom planting, harvesting, leveling, and soil testing. Planting by plane or helicopter should also be included in this Item.

EXCLUDE:

- (1) contract labor.
- (2) custom fertilizer, lime and/or soil conditioner applications (include in Item 2).
- (3) custom applications of crop chemicals and pesticides (record in Item 3a) and pest scouting (record in Item 37).
- (4) leasing of cars, trucks, tractors or other equipment.
- (5) custom livestock expense (report in Item 8).

**Item 29b (i) – Total Custom Work for Corn, Oats or Dairy
V2,V3,V4 Only**

Record the dollar amount of the total custom work (Item 29a and Item 29b) expense that was for the Corn, Oats, or Dairy enterprise. In the dairy version, exclude the expense for custom work used to produce crops used as dairy feed.

**Item 30 – Cash Value of Commodities Provided to Household Members As
Payment for Farm Work**

Record the value of any commodities provided to members of the household instead of payment of actual dollars. The value of the

commodities is whatever the commodities could have been sold for. Include quantities of grain or other crops, head of livestock, or the value of a share of milk sales receipts provided as payment to family members.

Exclude living expenses for family members unless the expenses were considered a business expense of the operation.

Item 31 – Cash Value of all Food, Goods and Services provided to Workers who are NOT Household Members workers

This question only applies to workers who are not members of the operator's household. The value of heating fuels, transportation, telephone, electricity, clothing and furniture supplied to hired workers who are not members of the operator's household should be calculated in terms of what they cost the operator. The value of food produced on the farm and furnished to paid workers should be whatever the items would have been worth at local prices (at the time they were given to the workers).

Operators may not regularly keep records of this type of employee compensation. For this reason, the question specifies items which are commonly overlooked by farmers in reporting these non-cash payments. Include the value of commodities (head of livestock, bushels of grain, percent of milk check, etc.) paid to any workers in lieu of wages for farm work, including such payments-in-kind. Using the items as probes will help the respondent better consider which type and amount of these payments were made.

Item 32 – Market Value of Products Used or Consumed on the Operation

Record the estimated MARKET value of all the meat and livestock products, fruit, vegetables, berries, firewood, etc. produced and used or consumed on this operation in 2005. Exclude home gardens if expenses were excluded earlier. Include products used or consumed by partners and their families. Also exclude any commodities provided as payment to household members for farm work reported in Item 30.

**Item 32a – Percentage of Market Value of Products that was Livestock
V1 only**

Of the total amount from Item 32, give a percentage of that amount that was from livestock or livestock products.

Item 33 – Land Improvements

Land improvements are those additions or improvements to the land which change it in a PERMANENT way.

INCLUDE:

- (1) expenses for improvements such as terraces, water and sediment control basins, grassed waterways, ponds, windbreaks, permanent cover, contouring, grading, filter strips, etc.
- (2) expenses for drainage improvements such as ditches, bedding, shaping, subsurface drain tile, etc.
- (3) expenses for irrigation improvements such as digging wells or ditches.
- (4) expenses for land leveling (removal of irregularities on the land surface by the use of special equipment for the purpose of improving drainage, achieving more uniform planting depths, more effective use of water and greater efficiency in tillage operations).
- (5) expenses for corrals, feedlots, feeding floors, trench silos, waste facilities, wells and equipment not for irrigation.
- (6) (in Western states) capital improvements to grazing land.

EXCLUDE:

- (1) land purchases.

Item 34 – New Construction and Remodeling of Farm Buildings, Structures, and Dwellings (excluding the operator's dwelling)

Record expenditures for that were paid in 2005 for the construction of or remodeling of buildings, structures, or other dwellings. Record these 2005 expenditures regardless of whether the construction or remodeling was completed or not. If expenses were paid in 2005 for work completed in 2004, include them in this item.

INCLUDE:

- (1) all costs for new construction or remodeling of houses for hired farm/ranch labor or tenants.

(2) all costs to construct or remodel farm/ranch buildings, storage facilities, sheds, silos, bins and similar structures.

Item 35 – New Construction and Remodeling of Operator’s House

Include all costs for new construction or remodeling of the operator's house, if it was owned by the operation. Owned by the operation can mean either the house is recorded as an asset in farm record books, used as security/collateral for a farm loan, or deeded as part of the farm.

Item 36 – Fees Paid for Professional or Farm Management Services

Record the amount of money spent in 2005 by the operators and partners on professional farm management services related to the management of this operation. Report fees paid for accounting, record keeping, tax preparation, planning, or farm product advice.

EXCLUDE fees paid for:

- (1) custom fertilizer, lime and/or soil conditioner applications (include in Item 2).
- (2) custom applications of crop chemicals and pesticides (record in Item 3).
- (3) entomologists, service companies, etc, for pest scouting (record in Item 37).

**Item 36a – Fees Paid for Farm Management, Planning, and Advice
V1 Only**

Record the amount of Item 36 paid for farm management, planning, and advice.

Item 37 – General Business Expenses

Show the respondent the list of General Business Expenses in the Respondent Booklet.

These expenses are generally recorded in the "other expense" category of most farm record books (and the 1040F). These expenses are so varied that when you ask the operator for his general business expenses he may say 'none' or itemize the ones that come to mind or include previously reported data. To gain some consistency in what is reported here, read the

list of the “Includes” below and have the respondent refer to the Respondent Booklet. The purpose of this list is not to have the respondent itemize each expense to the nearest penny but to prompt him to consider various categories which define what you mean when you ask for ‘other business expenses’. If an individual item is a fairly “large” expenditure, make notes explaining the expense.

INCLUDE:

- (1) travel expenses (such as lodging, meals and parking) associated with purchasing or selling commodities for farm, association or cooperative business, attending fairs where the respondent's farm products were exhibited and other farm/ranch business.
- (2) postage and telegrams for the farm business.
- (3) expenses for title searches, abstracts, recording deeds and mortgages, court costs and other legal expenses for the land operated.
- (4) fees paid to attorneys in connection with the farm/ranch.
- (5) charges for permits and licenses obtained in 2005 for production and marketing of commodities produced on the land operated. Exclude quota and allotment purchases and rentals.
- (6) fees paid on a voluntary basis to marketing associations or government agencies (federal, state or local) on the basis of sales or production, for the promotion of sales or for other specific purposes.
- (7) registration of purebred animals.
- (8) brand registration fees.
- (9) charges for sales promotion or advertising.
- (10) farm management expenses including books, papers and magazines on subjects related to crop or livestock production, market reports, farm newsletters and Ag bulletins. Report only 2005 expenditures, even if these cover more than one year.
- (11) real estate agent commissions and other direct selling or buying expenses.
- (14) garbage collection or dumpster service for barns and farm buildings.
- (15) rental expense for farm office space not on the operation.
- (16) fees paid to entomologists, service companies, etc. for pest scouting.
- (17) trapping club memberships and dues. (Trapping clubs are formed to trap predator animals such as coyotes.)

- (18) stall or space rental fees for farmer's markets.
- (19) parcel post expenses or charges for marketing agricultural products.
- (20) all purchases of farm office equipment (not placed on a depreciation schedule).

EXCLUDE:

- (1) wages paid to farm employees (on the payroll) for bookkeeping (exclusively or in addition to other farm work). (WAGES AND SALARIES FOR ALL FARM EMPLOYEES SHOULD BE REPORTED IN Item 23.)
- (2) gasoline and other vehicle operating expenses (record in Item 9).
- (3) taxes paid which were levied for general purposes.
- (4) marketing expenses and check-off fees deducted from sales of commodities paid by the operator.
- (5) expenditures for magazine or journal subscriptions for 2005 which were paid in other years.
- (6) all purchases of farm office equipment (if placed on a depreciation schedule).
- (7) potting soil and topsoil for nursery/greenhouse operations (record in Item 46).

Item 38 – Cars

Record the total cost (after trade-ins, rebates and/or discounts have been subtracted) of all the new and used cars bought for use on the operation during 2005. The total cost should include the cost of accessories purchased with the vehicle(s), special servicing, delivery charges, dealer preparation, Federal Excise Tax and sales tax.

If registration and license fees, financing charges and insurance were included in the purchase price, include them unless these fees were separate and itemized on the bill. Itemized financing charges should have been recorded in Item 18. Itemized registration and license fees should have been recorded in Item 21.

Item 38a – Farm Share Percent

Often, cars are purchased for both farm and personal (home) use. This question is asked to properly allocate the correct amount of the purchase to the farm. Farm share is an estimate of the percent of total use of the vehicle that was for farm/ranch related business, or that part of the total cost of the vehicle which is the basis for claiming future depreciation expense on tax claims for the operation. If all of the vehicles purchased in Item 38 are strictly for farm use, record 100 in Item 38a.

Item 39 – Trucks

Record the total cost (after trade-ins, rebates and/or discounts have been subtracted) of all the new and used trucks, pick-ups, sport utility vehicles, vans, campers, buses bought for use on the operation during 2005. The total cost should include the cost of accessories purchased with the vehicle(s), special servicing, delivery charges, dealer preparation, Federal Excise Tax and sales tax.

If registration and license fees, financing charges and insurance were included in the purchase price, include them unless these fees were separate and itemized on the bill. Itemized financing charges should have been recorded in Item 18. Itemized registration and license fees should have been recorded in Item 21.

Item 39a – Farm Share Percent

Often, trucks are purchased for both farm and personal (home) use. This question is asked to properly allocate the correct amount of the purchase to the farm. Farm share is an estimate of the percent of total use of the vehicle that was for farm/ranch related business, or that part of the total cost of the vehicle which is the basis for claiming future depreciation expense on tax claims for the operation. If all of the vehicles purchased in Item 39 are strictly for farm use, record 100 in Item 39a.

Item 40 – Tractors

Record the total purchase price (after trade-ins, rebates, discounts, etc.) of all new and used tractors (after any trade-in allowance, rebates and discounts were bought during 2005 for use on the operation. If the

respondent's operation bought tractors in partnership with another operation, include only the amount that was this operation's share of the tractor's total cost. The total cost should include the cost of accessories bought with the tractor, special servicing, delivery charges, dealer preparation, Federal Excise Tax and sales tax. Registration and license fees should be included in the purchase price if they were not separated on the bill. If these fees were separate and Itemized on the bill, exclude them here. Financing charges should have been recorded in Item 18. Registration and license fees should have been reported in Item 21.

Item 40a – Amount Paid for New Tractors
V1 Only

If any of the tractors were purchased new, record the amount paid for the new tractors in 2005.

Item 40b – Number of New Tractors
V1 Only

If there was an amount paid for new tractors, record the number of tractors purchased.

Item 40c – Discount received from the Dealer or Manufacturer
V1 Only

If there were any discounts received from the Dealer or Manufacturer for the new tractors, record the amount of the discounts received.
EXCLUDE the value of any trade-ins. They will be recorded in Item 40d.

Item 40d – Value of trade-in
V1 Only

Record the value of any trade-ins toward purchasing new tractors.

Item 41 – Self-Propelled Farm Equipment

Record the total purchase price (after trade-ins, rebates, discounts, etc.) of all new and used self-propelled equipment, implements and machinery (after any trade-in allowance, rebates and discounts were bought during 2005 for use on the operation. If the respondent's operation bought machinery in partnership with another operation, include only the amount that was this operation's share of the machine's total cost. The total cost should include the cost of accessories, special servicing, delivery charges, dealer preparation, Federal Excise Tax and sales tax. Registration and

license fees should be included in the purchase price if they were not separated on the bill. If these fees were separate and itemized on the bill, exclude them here. Financing charges should have been recorded in Item 18. Registration and license fees should have been reported in Item 21.

**Item 41a – Amount Paid for New Combines, Harvesters, or Pickers
V1 Only**

If any combines, harvesters, or pickers were purchased new, record the amount paid for those new items in 2005.

**Item 41b – Number of New Combines, Harvesters, or Pickers
V1 Only**

If there was an amount paid for new combines, harvesters, or pickers above, record the number of those items purchased new.

**Item 41c – Discount received from the Dealer or Manufacturer
V1 Only**

If there were any discounts received from the Dealer or Manufacturer for the new combines, harvesters, or pickers, record the amount of the discounts received. **EXCLUDE** the value of any trade-ins. They will be recorded in Item 41d.

**Item 41d – Value of trade-in
V1 Only**

Record the value of any trade-ins toward purchasing new combines, harvesters, or pickers.

**Item 42 – NON-SELF-PROPELLED Equipment, Implements and/or
Machinery Purchased**

Record the total purchase price for all non-self-propelled equipment, implements and machinery (after any trade-in allowance, rebates and discounts were subtracted) bought in 2005 for use on the operation. Include purchases of livestock, dairy and poultry equipment, (including calf shelters/hutches) and irrigation equipment and pumps.

Include delivery charges and sales taxes in the net expense. If the respondent's operation bought machinery in partnership with another operation, include only the amount that was this operation's share of the machine's total cost.

Exclude expenses for equipment purchased for personal or pleasure use, such as rodeo equipment.

Item 43 – Office Equipment, Furniture, and Computers

Include all capital purchases (items placed on a depreciation schedule) of farm office equipment, furniture, and computers. Any such equipment purchased but not placed on a depreciation schedule should be included in Item 37.

**Item 44 – Purchase of Farmland and Other Farm Real Estate
V1 Only**

For the small number of farms that bought farm real estate during the year, the cost of that acquisition can have a significant impact on the cash available to farm households for consumption or other investment purposes. Include only real estate that was added to this farming operation during the year. Do not include buildings that were purchased separately and moved onto the farm. These should be reported in Section F, Item 34 above.

Report the total cost of the land and buildings acquired. For example, the operation added an adjoining section of land to this operation during the year, at a cost of \$640,000. The land was worth about \$600,000 and the service buildings on it were valued at \$40,000. The operator paid \$140,000 down and the balance of the purchase was financed by a bank loan of \$500,000. Enter \$640,000 here. The value of the real estate would also be included in Section H: the buildings (\$40,000) would be included in Item 1c, and the land (\$600,000) would be included in Item 1e. The loan would be entered in Section I, Item 3 (the farm debt table) with a row Coded to indicate that a bank loan was obtained in 2005 to purchase land.

NOTE: Purchase of farm real estate is not asked in any other version, and is specifically excluded in V5, Section F, Item 20.

Item 45 – Other Capital Expenditures

Record the total cost of all other capital items (items placed on a depreciation schedule) purchased by the operation in 2005. Make good notes as to exactly what items are included.

Exclude breeding livestock purchases. Breeding livestock purchases are

reported in Item 4a. Also exclude capitalized machinery repairs. Include those expenses in Item 14.

Item 46 – Other Expenses

This item is used to account for any expenses the operation had in 2005 that have not been recorded elsewhere in the questionnaire. Describe each of the items recorded here. If these expenses should have been reported in another item, make the necessary corrections.

Include

- potting soil or topsoil for nursery/greenhouse operations.
- money paid back to the government for government farm program overpayments in previous years. For example, a farmer signs up for a program surrounding a certain field crop. The farmer gets paid \$X in 2004 for either a direct payment or counter-cyclical payment. Market price then goes up and farmer is asked to pay back some or all of the money that they had received in 2005. If the operation's payment back to the government was in the same year as when the operation is received the money, this should be reflected in the income questions in Section E as net income (money received – money paid back).

Sections G & H - Farm Assets and Debts

What are these Sections for? How is the information used?

Data collected in these two sections are used to develop the farm's balance sheet. The balance sheet lists the farm's assets, liabilities or debt, and owner's equity for a specific day. For purposes of USDA's farm financial management accounting procedures, December 31 is the reference date for the farm's balance sheet. Using December 31 as the reference date relates the balance sheet to farm's income statement which covers the calendar year from January 1 through December 31.

Using December 31, as the reference date allows the balance sheet to be related to the farm's income statement. The balance sheet shows the amount of "owned" assets the farm used in producing its crop and livestock commodities.

Correspondence between the length of term of loans and the type of assets held is also very important for evaluating the financial position of the farm. If a farm has a large amount of current debt (debt that is either payable or due in a year or less), but few current assets (such as cash, accounts receivable, or crop or livestock inventories), the farmer could have to liquidate a part of his/her holdings to meet obligations as they come due. This could affect how the farm is organized, what it can produce in future years, or its future profitability. If current debt is substantially larger than current assets, farmers may even have to take "fire sale" prices for assets put on the market to meet obligations. So the match between types of debt and assets, as well as total debts and assets, are considered by USDA in evaluating the financial status of farms.

Assets are economic resources that are used up in the farm production process. Assets expected to be used up or converted to cash within one year of the date of the balance sheet are called "current assets." Example of current assets are cash, financial assets, inventories, and accounts receivables. All other assets (machinery and equipment, buildings, farmland, etc.) are classified as long-term assets.

The farm's assets are financed or paid for using either debt or the business owner(s)' own funds (equity). Some farms use no debt while others use a mixture of debt and equity to buy farm assets.

Current liabilities are debts that must be repaid within one year of the date of the balance sheet. Examples include accounts payable, notes payable, short-term loans, accrued wages payable, accrued interest payable, and accrued taxes payable. Current liabilities include that portion of long-term debt due within one year. All other liabilities are those debts requiring payment or fulfillment beyond one year.

Owner's equity is equal to the farm's total assets less its total debt or liabilities. Owner's equity is oftentimes referred to as "net worth" or "net assets." USDA uses data reported in the balance sheet along with data reported in the income statement to develop key indicators of financial health and performance for farm businesses.

These indicators **include**:

- **Solvency** -- debts in relation to assets,
- **Liquidity** -- money available to pay bills as they come due,
- **Profitability**-- the return to management and risk of the farmer in relation to the amount of farm assets and equity used in production, and
- **Financial Efficiency** -- how effectively the farm uses inputs to produce crops and livestock.

Balance sheets and financial ratios are reported to the Secretary of Agriculture, other policy officials within USDA, and to the Congress. Conclusions about the financial health of farm businesses affect policy decisions made by the Secretary or Congress. In addition, data which summarize findings from the survey are reported for use by the media, farm organizations, and others with an interest in agriculture. Each year a summary report on the Status of Family Farms is prepared for Congress. This report, taken directly from the results of this survey, provides a perspective about the financial status of agriculture by type, size, and location of farm businesses.

A key use of the debt data reported in Section H is to develop an indication of how much money will be needed to meet annual loan repayments and interest charges. This estimate of debt service charges is compared with cash available from the farm business, off-farm income, or other sources to develop a perspective about which type farms in different regions may be encountering loan repayment problems due to insufficient income, large debt loads, and/or high interest rates. Reliance on variable (floating, adjustable) interest rate loans means that changes in interest rates are now reflected in changing farm sector interest costs.

Value of Land and Buildings. On average, land accounts for nearly three-fourths of farmers' assets. Dwellings on the farm are also assets of the farm operation. These include the operator's house (which is usually considered to be owned by the farm and included in the books of the farm) and hired labor and tenant houses.

The value of farm buildings is also used to help develop an estimate of capital replacement for farm sector assets. The buildings' value is assumed to be spread across the useful life of the building. A share of the building's total value becomes a production cost each year. In addition to land and building values, balance sheets include a value for machinery and equipment owned by the farm, including cars and trucks. Livestock and crop inventories are a large part of the balance sheet for some farms. Grain and livestock farms, in particular, tend to have substantial inventories on hand at year's end.

In addition to the assets they own, farmers also operate assets they lease or rent from others. For this section, we are interested in determining the value of assets managed by the operation. The respondent is the only source available for estimates of the value of the land they rent in 2005. Therefore, we include the value of rented land in estimating the total value of assets managed by the operation.

Debt by Lender. These data are used to help establish who is providing funds to meet farmer's borrowing needs. We ask about the loan balance, interest rate, type of loan (production, nonreal estate, or real estate), and the year in which the loan was obtained. These items are used to estimate the farm sector's debt payments that must be met each year.

The estimate of principal repayment is combined with the amount of interest and service fees to develop an estimate of debt service requirements facing the farm. USDA monitors very closely the debt service commitments of farms in relation to their incomes and cash flows. Rising use of farms' debt repayment capacity gives an early warning indicator of potential financial stress.

Many farmers use farm assets as security for loans for a variety of purposes. For each of the five largest loans reported by the operator, we ask what percent of the loan was for operating expenses, capital expenditures, or other expenses of the farm operation. Responses to the primary purpose of the loans provide information about how farm assets are being used as collateral for loans for family and on-farm business uses.

Section G - Farm Assets

GENERAL INSTRUCTIONS

This section is different from the sections before it in the questionnaire because most of these questions focus on assets **OWNED** by the operation. For this section, we define assets of the operation as:

(For individual or partnership operations) the assets belonging to the operation or to the operator and partners. When the operator and/or partners rent their personal assets to the operation, exclude them as assets in this section.

(For corporations) the assets belonging to the corporation.

For this section, we also obtain information on land and buildings **MANAGED**, but **NOT OWNED** by the operation. Record the value of land rented by the operation. Also, most of this section has a fixed reference date, December 31, 2005, rather than all of 2005.

In this section we ask for the operator's estimate of the MARKET VALUE of several types of assets at the end of 2005. Obtain the operator's best estimate of the current market value of specific assets. If operation assets are owned by partners, include the value of assets belonging to all partners (exclude the landlord's share).

Value of Land and Buildings Items 1-3

Market value is the "fair market value" for which the land and/or buildings could be sold under the market conditions existing at the time of the reference date and assuming that willing and financially able buyers and sellers exist and that there are no unusual circumstances such as forced liquidation, shortages, and emergencies. This value should be for the most likely purpose the land would be sold for its highest and best use, including non-agricultural uses.

Item 1 – Market Value of Land and Buildings OWNED

This information is not likely to be available in records, but most operators should be aware of the current value of their land and buildings or comparable land and buildings.

It is not necessary for the operation to own land in order to own buildings. Operations can own buildings that are permanent structures located on rented or leased land, or they may own mobile homes, shops or offices located on rented or leased land.

Item 1a – Market Value of Operator's Dwelling, if OWNED

Record the market value of the operator's dwelling as of December 31, 2005, if it is owned by the operation. If the operator cannot give you an estimate of current market value, probe to get values of similar houses, or get the replacement value listed for insurance purposes.

Item 1b – All Other Dwellings Owned

Record the market value on December 31, 2005 of tenant and hired labor dwellings, and all other dwellings (except the operator's) owned by this operation. This includes houses/dwellings of partners, relatives, etc. The dwellings must be owned by the operation, not by the partner or relative

separately from the land in the operation.

Item 1c – All Other Farm Buildings and Structures Owned

Record the market value on December 31, 2005 of all other farm buildings owned by the operation including barns, cribs, silos, equipment shops, grain bins, storage sheds and similar type buildings. Exclude processing facilities such as cotton gins, packing sheds, commercial elevator facilities, etc. even if they are owned by and located on the operation. Probe if necessary to obtain values, but do not accept "book value" (the original cost of the building minus depreciation).

Item 1d – Orchard Trees, Vines and Trees for Wood

Record the market value on December 31, 2005 of trees in orchards, vines in vineyards, other perennials in the field, Christmas trees, and trees cultivated for wood products. Such permanent plantings are capital assets that must be depreciated over their useful lives.

Item 1e – Land Owned

Record the operator's best estimate of the total market value of land OWNED by the operation on December 31, 2005. This should correspond to the acres owned reported in Section A, Item 1, unless land was purchased at the end of the year, and, thus, were not part of the operation during 2005. Include the value of water rights, mineral rights, permanently installed irrigation equipment, frost protection systems, grazing permits that go with the land, etc. Verify with the operator that the average value per acre is reasonable for the area by dividing the amount reported by the number of acres owned.

Exclude the value of dwellings, buildings and structures, and trees in orchards, vines in vineyards, other perennials in the field, Christmas trees and trees cultivated for wood products.

The total of 1a + 1b + 1c + 1d + 1e should reflect the total value of land and buildings OWNED by this operation on December 31, 2005. Verify this total with the operator.

Item 2 – Value of Land and Buildings on Acres Rented From Others

Record the operator's best estimate of the total market value of all the land and buildings Cash Rented, Share Rented, or Used Rent Free by the operation during 2005. (This should correspond to acres reported as rented in Section A, Item 2.) Include the value of water rights, mineral rights, permanently installed irrigation equipment, frost protection systems, permanent plantings in orchards, groves, vineyards, Christmas trees, grazing permits that go with the land, etc.

Item 2a – Amount Rented from Relatives

Of the value of the land and buildings rented from others in Item 2, record the value of any land and buildings that were specifically rented from relatives. The answer to this question should only be positive if Item 2 is positive and should always be equal or less than the amount in Item 2.

Item 3 – Value of Land and Buildings on Acres Rented To Others

Record the operator's best estimate of the total market value of all the Land and buildings RENTED TO OTHERS. (This should correspond to acres reported as rented in Section A, Item 3.) Include the value of water rights, mineral rights, permanently installed irrigation equipment, frost protection systems, permanent plantings in orchards, groves, vineyards, Christmas trees, grazing permits that go with the land, etc.

Item 4 – Value of Beginning/Ending Year Inventories of Machinery, Commodities, and Production Inputs, etc.

Net farm income relates to the value of production during a given year. A portion of cash sales in any year may come from commodities produced in prior years, and carried into this year as inventory. Some of this year's production may remain in inventory at the end of the year. Accurately measuring net farm income to reflect this year's production must account for changes in inventory levels between January 1, 2005 and December 31, 2005. For that reason, we ask beginning and ending inventory values for crops, livestock, and production inputs.

The change in inventory value collected in this section will be added to or subtracted from cash sources of income to help develop the estimate of total gross income for the farm that is used to calculate net farm income.

There are three main criteria you should guide the respondent toward considering in coming up with answers to beginning or ending year inventory values:

- the types of commodities or production inputs,
- the quantity of each type on hand, and
- their market price on the date in question.

Although more accurate figures would be obtained if we collected all these pieces, it is acceptable for you to get the operator's best estimate of the market value of commodities or production inputs on hand at the beginning and the end of the year.

But if the operator says the market values were the same, **YOU MUST PROBE** for the commodity/input types, the quantity, livestock weights, and the market price on the date in question. This will ensure as accurate figures as possible. After you have probed, if the operator still says the beginning and ending year market values were the same, accept the answers. Be sure to make good notes of the reason why they were the same so the survey statistician understands the situation.

The value of commodities held in inventory relate to the figures reported earlier in the questionnaire related to crop production, the amount (of crops) used on farm, or the quantity (of livestock) sold, and to the sales data reported Section D. If the commodity was produced in 2005 (or like livestock was bought in 2005) but not sold or already used on farm, it should be in ending inventory and its value would be recorded here.

In most cases, the value of commodities or production inputs on hand at the beginning of the year should not equal their value at the end of the year. After finding out the value at the end of 2005 and you ask about the value at the beginning of 2005, do not say, "Was it (about) the same?" or "It was the about the same, was it not?"

Item 4a – Value of CROPS Owned

Record the operator's best estimate of both the beginning-of-year and end-of-year market value of all crops stored on or off the operation. Be sure to consider the quantity on hand and market prices on the date in question. Include Government program and non-program crops.

Include the value of:

- (1) all crops owned by the operation whether stored on or off the operation.
- (2) hay and silage crops.
- (3) crops produced in 2004 and earlier years.
- (4) crops to be used for feed, seed, sales, etc.
- (5) all whole grains on hand.
- (6) all crops purchased.
- (7) crops owned by the operation which were produced under a contract but not sold as of December 31, 2004.
- (8) crops in storage which had been redeemed from CCC loan by the reference date above.
- (9) nursery and greenhouse products in saleable condition.

Exclude the value of:

- (1) crops still under CCC loans.
- (2) feed items such as cracked corn, rolled oats, etc.
- (3) growing crops.

Items 4 b&c – Value of Livestock Owned

For livestock, you also need to consider their weights or size. You need to consider all these things on January 1, 2005, to get the market value of the beginning year inventory. Then you need to consider all these things on December 31, 2005, to get the market value of the end of year inventory. It is very unlikely that all of these things are the same at the end of the year as they were at the beginning of the year. The number of head and the number owned on December 31, 2005 were reported in Section C, Item 1. Use the responses to items in this section to obtain end of year values. Beginning of year values should be in comparison to the end of year values. For example, number of head may be different, or prices may be different, or weights of the animals may be different. Changes in any one of these could result in inventory values being different in December

than in January.

Include the value of:

- (1) all animals held for resale.
- (2) beef and dairy cows, bulls, steers, heifers, calves and any other cattle.
- (3) hogs and pigs.
- (4) sheep and lambs.
- (5) horses, ponies and mules.
- (6) goats.
- (7) chickens, ducks, geese, guineas, pigeons, etc.
- (8) fur bearing animals.
- (9) catfish, crawfish and other fish.
- (10) bees.
- (11) other specialty livestock.

Exclude the value of:

- (1) livestock on hand not owned by the operation.
- (2) animals owned for pleasure use only (except equine).
- (3) livestock owned by this operation, but being produced by another operation under contract. The value of these animals are collected in Section C, Item 3.

Item 4b – Breeding Livestock

Record the operator's best estimate of both the beginning-of-year and end-of-year market value for all breeding livestock (including dairy animals) and poultry owned by, and located on, the operation. Be sure to consider the quantity on hand, their size or weights, and the market prices on the date in question. Breeding livestock animals are considered non-current assets on an operation's balance sheet. They reflect a long term investment.

The number of head on hand as well as owned on Dec. 31, 2005, was reported in Section C. This should be the inventory for which the operator gives you the end of year value.

Item 4c – Value of Non-Breeding Livestock Owned

Record the operator's best estimate of both the beginning-of-year and end-of-year market value for all non-breeding livestock (including dairy animals) and poultry owned by, and located on, the operation. Be sure to consider the quantity on hand, their size or weights, and the market prices on the date in question. Non-breeding livestock (calves, heifers, and steers) held in inventory for sale within the next year are considered current assets on an operation's balance sheet.

The number of head on hand as well as owned on Dec. 31, 2005 was reported in Section C. This should be the inventory for which the operator gives you the end of year value.

Item 4d – Value of Production Inputs Owned

Record the operator's best estimate of both the beginning-of-year and end-of-year market value of inputs owned by this operation. Inputs include such things as feed, fertilizer, chemicals, fuels, purchased seed and other supplies, etc. Exclude the value of any items that should be reported in Item 4a (hay, crops to be used for seed, etc.) Do not include fertilizers and chemicals already applied.

Prices of many inputs such as fuel and fertilizer changed dramatically during 2005. An estimate of the quantity on hand on January 1, 2005 and price paid at that time and the quantity and price at year end will likely result in the value of inventory being different for these two time periods. The change in the value in input inventory on hand will be very important in helping put production costs into perspective and in helping explain estimates of net farm income for farm businesses.

Item 4e – Production Inputs Already Used for Crops (Sunk Costs)

Why do we ask this question?

Growing crops represent a substantial investment and have a significant impact on a farmer's balance sheet. As purchases of fertilizer, seed, herbicide, gas, labor, etc. are made and the resources used, either cash is diminished or liabilities are increased. It is important that an asset value still be shown. One method is to assume these cash inputs transformed into growing crops, do in fact have a value; that is, someone would pay to

acquire such resources during the year. For a December 31 balance sheet and a winter wheat crop, this means a value should be placed on the growing crop. Since the actual market value is hard to determine, actual cash invested in the crop is used as the balance sheet value.

Record the amount spent up through December 31, 2005 for physical production inputs (seeds, fertilizers, pesticides, etc.) for all cover crops and crops planted but not harvested as of that date. Also include the amount spent for fertilizers and pesticides already applied to benefit a crop that had not been planted yet as of December 31, 2005.

Include the value of inputs already applied to:

- (1) nursery crops.
- (2) greenhouse crops.
- (3) mushrooms, fruit or vegetable crops.
- (4) cover crops.
- (5) winter or spring grain crops which had been planted by December 31, 2005.

Exclude the value of inputs to:

- (1) crops already harvested and on hand (these crop values should be recorded in Item 4a).
- (2) crops such as Christmas trees, fruit trees, etc. where the value of the crop is included in the value of the land.
- (3) mature crops not harvested by December 31, 2005 due to weather or market conditions. An estimated value for these crops should be recorded in Item 4a if they were originally intended for harvest as of December 31, 2005.

Item 4f – Trucks and Cars Owned

Record the end-of-year (on Dec. 31, 2005) estimate of the market value of the farm share of trucks and cars owned by the operation.

Item 4g – Tractors, Machinery, Tools and Equipment Owned

Record the end-of-year (on Dec. 31, 2005) estimate of the market value of the farm share of tractors, machinery, tools, equipment and implements owned by the operation.

Item 4h – Stock in Farm Credit System

Record the value on December 31, 2005, of the stock the operation owns in the Farm Credit System and all other farm cooperatives. Be sure to include the value of shares received during the year in lieu of dividends.

As a condition of obtaining a loan, the Farm Credit System has requirements for a borrower to purchase stock in the Farm Credit System. The value of the stock is reported here.

Item 5 – Other Farm Assets

Record the operator's best estimate of the market value of all other assets of the farm/ranch, using the Value Codes in the Respondent Booklet. Refer the respondent to the list of items in the respondent booklet labeled, "Other Farm Assets".

Include the value of:

- (1) cash, bonds, certificates of deposit, savings and checking accounts belonging to the operation.
- (2) money owed to the operation (other than that reported in Item 5).
- (3) quotas and allotments owned by the operation, if these values are not reflected in the land values reported in Item 1.

Exclude the value of:

- (1) assets for which values were obtained earlier in the questionnaire.
- (2) personal assets.

Section H - Debt

Item 1 – Loans Taken Out in 2005 and Repaid in 2005

This item includes only loans taken out in 2005 and entirely or partially repaid during the year. For example, if an operation took out a \$100,000 operating loan and had repaid all but \$20,000 by the end of the year, record \$80,000 in Item 1 as the maximum loan amount taken out and repaid during 2005. Record the \$20,000 debt balance in the Item 3 table (for Version 1 questionnaires, entering Code '1' in column 4).

Responses to this question helps us gauge the share of farms that use debt during the year but that do not have a debt outstanding at year end and provides help in evaluating the amount of interest paid by the operation.

Item 2 – Screening for Debt

In a majority of situations, the operation may not report debt. Debt can usually be tied to specific assets. It is unusual for a commercial-size farm to not have any debt, so if the answer to this item is NO, make a good note before skipping to Section J. PROBE to determine if the operation had any loans at the end of 2005 against any livestock, machinery, or farm real estate. If the operator has multiple operations, include debt for only this operation.

Item 3 – Debt By Lender V1 only

If the operation had debt at the end of 2005, the table in this item must be completed. Include debt on the operator's house if it was owned by the operation.

Start completing the table by asking about the largest loan. Work across the columns in the table for each loan, **starting with the largest loan owed** and working down to the smallest loan owed, for up to five loans. Be sure the respondent includes debt secured by the operation's assets, even if the loan was for non-farm purposes.

Column 1 - Lender
V1 only

Refer the respondent (and yourself) to the list of Lender Codes in the Respondent Booklet.

There is no need for the respondent to report specific firms or persons with whom he/she has loans, such as 'First State Bank of Iowa' or 'my mother-in-law'. By encouraging the respondents to use the RESPONDENT BOOKLET, you are assuring them your interests are in obtaining what types of loans are typical in their state not where they personally have obtained loans to finance their operations.

Enter the Code for the lender to whom the operation owed money. If more than one loan is owed to the same lender, record the loans separately if possible.

Report as Farm Credit System debt (Code 1) any loans from the Federal Land Bank Association, Production Credit Associations, Agricultural Credit Associations, or any other organizations through which Farm Credit System loans are made.

USDA's Farm Service Agency (FSA) has taken over the lending functions of the former Farmers Home Administration (FmHA). FSA provides credit to farm operators through direct loans and through guarantees of loans made by private lenders. Use Code 2 only for direct loans made by the former FmHA and/or the new FSA. For loans made through private lenders but guaranteed by FSA, use other Codes, such as 5, 6, and 7, etc.

Exclude loans made on the cash value of the borrower's life insurance policy from debts owed to life insurance companies (Code 7). Record this type of loan under "Any Other Lenders" (Code 15).

Report as contractor debt (Code 11) any loans from corporations, cooperatives, partnerships, individuals, or other organizations for which this operation produces or markets any commodity or product under contract. Poultry and other livestock contractors frequently provide financing for the construction of facilities and for the purchase of feed and other inputs. Similarly, fruit and vegetable processors often finance seed, specialized machinery, and packing and on-farm processing facilities for producers who grow for them under contract.

For Code 12 and Code 13, lenders are individuals; however, there is a difference in the two types of loans. For Code 12, (individuals from whom land in the operation was bought under a mortgage or deed of trust) title to the land transfers immediately. For Code 13, (individuals from whom land in the operation was bought under a land purchase contract) title to the land transfers after a specified portion of the purchase price has been paid, or after a certain amount of time has passed.

Report credit card debt (Code 16) only for credit card balances outstanding at the end of the year. The farm press frequently reports on the dangers farmers face in charging feed, seed, and other inputs on credit cards to gain frequent flier miles and other affinity program benefits, with the intention of refinancing these purchases during the credit card grace period. Exclude credit card purchases that were paid from an equity credit line or rolled into other debt before the end of the year. The balance owed to the bank, or other lender, should be reported in the table instead. Exclude credit card purchases that were paid in full before the end of 2005.

Include as other debts (Code 17) the farm share of all unpaid bills.

Column 2 – Balance Owed
V1 only

Record the 2005 end-of-year balance remaining to be paid. Include both principal and unpaid interest which was delinquent.

Exclude future interest that will be owed. Only include any interest which was unpaid and/or delinquent. Exclude accrued interest that was not delinquent.

Column 3 – Interest Rate
V1 only

Enter the interest rate associated with the loan balance recorded in column 2. Rates should be entered to the nearest basis point (hundredth of a percent), such as 10.25, 9.50, 8.00 or 6.75 percent. You can have debt recorded in column 2 with a zero percent interest rate if no interest is charged. This is most common with very short term debt, although it is sometimes found with debt owed to family members. Write a note of explanation whenever the interest rate is zero.

Column 4 – Loan Type
V1 only

Select one of the 3 choices in the “Loan Types” list in the respondent booklet that best describes the type of loan that the respondent has.

Production loans refer to seasonal loans that farmers typically borrow to finance the production of a commodity, and repay when the commodity is sold.

Nonreal estate loans (longer than one year) refer to machinery, equipment, and breeding livestock loans that the farmer will repay over a number of years.

Real estates loans refer to loans secured by farmland. These loans may be for any purpose, but typically are repaid over a period of 10-20 years.

Column 5 – Year Obtained
V1 only

Enter the four digit year (1980, 1992, etc.) in which the operation obtained the loan or the most recent year of refinancing. For annual lines of credit, enter the year the line of credit was first established even if it was repaid each year.

Column 6 – Original Term of Loan
V1 only

Enter the original term, in years, of the debt recorded in column 2. If the original term of the debt was less than one year, enter 1.

Column 7 – Percent for FARM Expenditures
V1 only

If the loan was obtained entirely for farm expenditures, this item should be 100. If part of the loan was used for non-farm purposes, enter the percent of the original loan which was used for operating expenses, capital expenditures or other expenses of the farm operation.

Column 8 – Purpose of Loan
V1 only

Check the respondent booklet for the list. Respondents have six choices for the purpose of the loan. Record the purpose that reflects the respondent's use of loan funds.

- (1) Purchase real estate (land and its attachments)

INCLUDE

- Farm and home improvements
- Building construction
- Construction of livestock and poultry facilities
- Grove development and rehabilitation

- (2) Purchase feeder livestock

- (3) Purchase other livestock

- (4) Other current operating expenditures such as

- Current crop production
- Care and feeding of livestock including poultry
- Labor, seed, feed, fertilizer, grove caretaking, repair, and maintenance

- (5) Farm machinery and equipment

- (6) Debt consolidation

Column 9 – Fixed or Variable/Adjustable/Floating Rate Loan?
V1 only

Record whether the loan was a fixed rate (Code 1) or a variable/floating rate loan (Code 2) in column 9. Response to this item will provide a basis for measuring the share of farm debt that may be affected by changes in lending rates.

Item 3a,3b,3c – Money Borrowed
V2,V3,V4 only

For these versions, report the total debt owed on 3a) production loans, 3b) nonreal estate loans, and 3c) real estate loans. These rows correspond to individual loans that would have been Coded 1, 2, and 3, respectively, in column 4 of the Debt by lender table in the CRR(Version 1).

For each of the loan types in Items 3a, 3b & 3c the corresponding columns in the table that follow each correspond to a column in Item 3 of the CRR(Version 1) questionnaire as follows:

COP Questionnaire	CRR Questionnaire
Column 1	Column 2
Column 2	Column 3
Column 3	Column 7

Estimate weighted average interest rates and farm shares for each type of loan. (For example: The respondent reports 2 machinery loans, \$100,000 @ 5 %, and \$50,000 @ 10 %. Record \$150,000 in 3b, col 1, and 6.67% in 3b, col 2).

Item 4 – Additional Debt
V1 Only

Space is provided to record details of five loans in the Item 3 table. If the operation had more than five loans with balances outstanding at the end of 2005, enter the number of loans in addition to the five identified in the table.

Item 4a – Amount of Additional Debt
V1 Only

If the operation had more than five loans with balances outstanding at the end of 2005, enter the total amount of outstanding debt not recorded in the table. Include both principal and unpaid interest which was accrued by December 31.

Item 5 – Debt owed for Operator's Dwelling

This should be the portion of debt from all of the loans listed in Item 3 and 4a that is specifically for the operator's dwelling. If the operator's dwelling is owned by the operation, debt should have been included above.

Sections I & J – Farm Management and Use of Time and the Farm Household

The economic well-being of farm households is affected not only by income from all sources—farm and non-farm—but also by the debt they owe and by whether income can adequately support the basic needs of the farm household without having to draw down assets or sell the farm.

Information on the economic well-being of farm households is needed to evaluate the effect of current and proposed policies that affect farms and rural areas. The questions in these sections provide data to learn about the relationships between farm people and their farms. No other source of data is available to illustrate how the financial situation of the farm and farm household varies among operators and households. The characteristic questions asked here in Sections I and J—including legal status of the farm business organization—provide the data needed to classify farms, operators, and households into specific groups, such as full-time farmers or retired farmers.

Knowledge of age, race, education level, ethnicity, and gender helps USDA determine the impact of characteristics previously shown to affect the economic well-being of the individual and the household. The relationships among the financial situation of the farm business, household members and off-farm employment is addressed by asking about major occupation, and other questions about off-farm employment. These data help us provide a perspective about how important non-farm jobs are to farm families and rural areas.

With recent changes in how the Federal government provides assistance to farms, it is more important than ever to monitor how farm households adjust to changes in farm programs. Off-farm income is important to many farm households. Many farm operators and/or other members of the farm household work at least some days off the farm. It is necessary to know the income received by the household members to describe the relative importance of off-farm income to the economic well-being of the farm household. Some farm families also receive income from previous investments. Others receive retirement benefits from pensions or Social Security.

Past analyses of off-farm income data have been used by the Office of Management and Budget to help analyze proposed farm legislation. Using ARMS data, USDA looked at a proposal to limit farm program payments to farm operator households making \$100,000 or less in off-farm income. More than a quarter of the 2.1 million farms in the U.S. had at least one individual who received direct government farm program payments. But from the ARMS we found that only 2 percent of those who receive payments had off-farm incomes over \$100,000. These data were used by lobby groups, media and farm groups, as well as government officials. The collection of off-farm employment data will continue to be important as government decides how to allocate federal funds to agriculture.

Information is collected on assets and debt of the farm household not connected to the farm business. Non-farm assets and debts also affect the economic well-being of the farm household. Non-farm debts must be paid from the farm household's income. The extent to which non-farm assets are available and non-farm debt exists is part of the household's overall financial status.

Policy officials within USDA as well as members of Congress have an interest in how the incomes of farm families compare with the incomes of non-farm families.

Traditionally, farm family incomes have been estimated by adding off-farm income to the net income produced by the farm. It is no longer accurate to estimate the income of farm operator families in this manner because of the complexity of today's farm businesses.

The traditional procedure ignores that many farms support more than one family. Income sharing among partnerships and farm corporations are obvious, but income generated from farms operated as individual proprietorships may go to support multiple households. To correctly estimate the operator household's share of net farm income, we ask how many other households shared in the net income of the farm operation and what percentage of the net income did the operator's household receive. Answers to these two questions are critical to the development of a correct estimate of income for farm families.

Also, in today's agriculture, it is fairly common for farms to have contractual arrangements to produce products for another farm or person.

Assigning the contractor's net income to the farm operator would greatly overstate income and make farm families appear better off financially than they in fact are.

A key function of management is planning: how the farm will be organized, what to produce, how to produce it, what type of machinery and equipment to use, whether to hire labor, and how to market commodities or products produced on the farm. Once plans are developed farmers have to decide how to implement the plan and then they are responsible for following up to determine how well the plan worked. This follow up is one way that farmers exercise control over their businesses. A key to farm's competitiveness is the adoption and use of cost effective practices by producers. Information about farmers' attitudes toward acceptance or mitigation of risk through the use of a variety of management strategies such as insurance or diversifying crop or livestock production will be combined with information on the use of emergent technologies such as genetically modified seed and precision planting, chemical applications and harvesting practices, use of niche and other marketing approaches, to analyze farm cost structure, performance, and efficiency.

A primary emphasis in 2005 is obtaining information on cost savings that farmers realize as a result of using selected management practices. An example is forward contracting to buy inputs such as fuel or fertilizer. Another primary emphasis is to understand the ownership structure of the farm business and how much of the business is owned by the farm operator household. This information will be used to improve our abilities to distinguish between family farms and non-family farms.

Data on household expenditures are used for two important reasons: (1) the estimate is incorporated in the Index of Prices Paid, and (2) it is necessary to know how much is spent on family living to develop an estimate of farmer's debt repayment capacity. Family living expenses are deducted from net income to determine how much is left over to replace equipment and to repay outstanding debt. The relationship between household income and family living expenses also provides information about how farm families have had to adjust given changes that we have observed in prices received for crops and livestock, in production, and in the costs for inputs such as fertilizer, fuel, and labor.

Section I – Farm Management and Use of Time

Item 1 – Individuals involved in the day-to-day decisions

Record the number of individuals that were involved in the day-to-day decisions for this operation. Enter the number of operator(s), including the operator listed on the front of the questionnaire.

Item 2 – Spouse Screening

Record a 1 in Item 2 if the operator has a spouse and proceed to Item 3, otherwise record a 3 and proceed to item 4. Keep this in mind for questions in Section J.

If the operator and spouse are separated and the spouse does not depend financially on the operator's household, the code 3—‘No Spouse’--should be used.

Item 3 – Spousal Involvement in Day-to-Day Decisions

This question determines if the operator's spouse is also an operator, defined as making day-to-day decisions for the farm or ranch. The purpose of this question is to determine the extent to which multiple people are involved in making management decisions for the farm and will be used to help provide a broader understanding of how involved spouses are in the day-to-day business of running the farm.

Record a 1 in Item 3 if the operator’s spouse is involved in the day-to-day decisions of the operation and proceed to Item 4 (remembering to put the spouse as “operator 2” in Item 4. If the spouse is not involved in the day-to-day decisions, record a 3 and proceed to Item 4.

Operator and Partner Characteristics

The operators are those persons responsible for the day-to-day management decisions for this operation, including hired managers. In the event there is more than one person involved in the day-to-day decisions,

three columns have been provided to record their characteristics. The principal operator will be listed first. Often this is the senior person that lives on the operation or the designated spokesperson for this operation.

Item 4 – Year Operator began to Operate

List the four-digit year that the operator(s) first became involved in the day-to-day operational decisions on any farm.

Item 5 – Age of Operator on December 31

This question gives us the chance to look at the financial situation of the farm as it relates to the operator's age. Enter the age of the operator(s) on December 31, 2005.

Item 6 – Sex of Operator

Indicate if the operator, listed at the top of each column is male or female.

Item 7 – Legal Status

In this item we want to record the operation's legal status as a business organization. This does not mean how decisions are made for the operation on a day-to-day basis. Therefore, the answer to this question may be different than the answer to the question on day-to-day decision-making in the screening section of this questionnaire. Responses to this question are used for a variety of purposes including classifying farms and estimating after tax income.

Individual (Sole or family proprietorship)

A farm operation that has no partners and no shareholders. The proprietor is personally liable for all the firm's obligations. The proprietor, who is regarded as self-employed, bears all the costs and keeps all the after-tax profits, filing IRS Form Schedule F only. This includes a single member limited liability company taxed as a sole proprietor. Consider an operation that is operated as a husband-wife team to be a sole proprietorship, unless they are legally organized as a partnership or some other legal form.

Legal Partnership

Farm business operations owned by two or more persons who agree to abide by a partnership agreement. Partners must be owners but do not need to be involved as operators. The partnership agreement sets out how management decisions are to be made and the proportion of the profits that each partner is entitled to. Partnerships include general partnerships where all partners bear unlimited liability for the operations debts as well as Limited Liability Companies (LLCs) and Limited Liability Partnerships (LLPs). The partners pay personal income tax on their share of these taxes. Formal, legal partnerships file IRS Form 1065. [Note that a LLC can consist of only one member, where that member can be either an individual or corporation.] Exclude joint operations which involve livestock only (with no land operated in partnership) and landlord-tenant arrangements.

C - Corporation

Generally, a corporation is a business entity chartered under a State or Federal statute, or under a statute of a federally recognized Indian tribe, if the statute describes or refers to the entity as incorporated or as a corporation, body corporate, or body politic. It is also regarded as a corporation if the business entity is organized under a State statute and described by the statute as a joint-stock company or joint-stock association. For the purpose of Federal taxation, corporations are defined specifically under instructions for IRS Form 8832 (Entity Classification Election).

A corporation is legally separate and distinct from its owners (called share- or stockholders). The corporation is formed by filing articles of incorporation with the authority, who returns it with a certificate of incorporation; the two documents together become the corporate charter. The corporation is regarded by the courts as an artificial person and thus may own property, incur debts or make loans, sue or be sued, own assets and pay taxes.

The corporation's chief distinguishing features are:

1. limited liability—owners (shareholders) can lose only what they invest;
2. easy transfer of ownership through sale of shares of stock;
3. continuity of existence: i.e.; the operation does not cease to exist

when one or more of its owners die.

The most important aspect of a corporation is limited liability. That is shareholders are not held personally liable for the corporation's debts.

Shareholders elect a board of directors who appoint and oversee the management of the corporation. Although a corporation does not necessarily have to be for profit, the vast majority of corporations are setup with the goal of providing a return for its shareholders.

Corporations pay federal income taxes. Corporations must file income taxes separately from its owners. C-corporations file IRS Form 1120 or 1120-A. Owners pay individual income tax only on money they draw from the corporation in the form of salaries, bonuses, or dividends.

Corporations are sometimes referred to as "C corporations."

S – Corporation (Small Business Corporation)

The "S corporation" (for Small Business Corporation) is a form of corporation that meets certain requirements (see IRS Form 2553). This gives an S corporation the benefit of incorporation while being taxed on the same basis as a partnership or sole proprietorship. This means that any profits earned by the corporation are usually not taxed at the corporate level, but rather at the level of the shareholders. However, an S corporation may still owe tax on certain income.

Other

If this operation is any other kind of organization not readily classified in the above-mentioned categories, enter code "5". Some examples are:

- a. **Estate** – Undivided property still in, or subject to, probate.
- b. **Trust** – The farm is operated by a person as trustee for someone else who is not of age, or may be in a hospital, institution, or is otherwise unable to carry on his/her own business. Estate or trust may be further defined as a property administered for the benefit of another individual or organization. Estate or trust may also be defined as a fund

of money or property administered for the benefit of another individual or organization.

- c. **Cooperative** – Non-taxable business organization formed to eliminate “the middleman” and which exists for the production and/or marketing of goods owned collectively by the members who share in the benefits.
- d. **Grazing Associations** – A corporation or cooperative mutually operated for the purpose of aiding in the conservation, restoration, improvement, development and utilization of natural forage resources where a grazing area has been acquired for joint use by its members.

Item 7a – Operation Organization

Record a 1 in Item 7a if the operation is organized as a Limited Liability Company under State law.

A Limited Liability Company (LLC) is a business organization which in some States may be treated as a partnership for Federal tax purposes but treated with limited liability for owners at the state level. Some States may recognize Limited Liability Partnerships (LLPs) in which the individual partners are protected from liabilities of other partners.

These entities are considered partnerships for both Federal and State tax purposes. Generally, when an LLC has only one member, the fact that it is an LLC is ignored or “disregarded” for the purpose of filing a federal tax return. Remember, this is only a mechanism for tax purposes. It doesn’t change the fact that the business is legally a Limited Liability Company.

If the only member of the LLC is an individual, the LLC income and expenses are reported on Form 1040, Schedule C, E, or F. If the only member of the LLC is a corporation, the LLC income and expenses are reported on the corporation’s return, usually Form 1120 or Form 1120S. If you prefer to file as a corporation instead of as a “disregarded entity,” Form 8832, Entity Classification Election (PDF), must be submitted. Otherwise, you don’t need to file Form 8832.

Item 8 – Number of Partners

If the operation is a legal partnership (Item 7 = 2), record the number of partners in the operation in Item 8.

Item 9 – Number of Members in Corporate Board

If the operation is a C- or S- corporation (Item 7 = 3 or 4), record the number of members in the Corporate Board for the operation in Item 9.

Item 10 – Operators in Corporate Board

If there is a Corporate Board, record the number of board members who are operators involved with the day-to-day decision making.

**Item 11 – Shared Decision Making for Operation
V1 Only**

If decision making depends on more than one person for this operation, record a 1 for Item 11 and continue with Item 12. For those with no method of shared decision making, record a 3 and skip to Item 13.

**Item 12a-d – Various Options in which Decision Making Is Shared
V1 Only**

Indicate the method that decision making or management is shared in Items 12a-d. More than one option is possible.

**Item 13 – Operation part of Larger Corporate Farm
V1 Only**

If the operation is part of a larger firm or corporation, record a '1' in Item 13. An operation that has a production or marketing contract with an agribusiness firm is NOT part of the larger firm.

**Item 14 – Ownership Interest in Operation
V1 Only**

Report the number of owners for the operations in Item 14. Do not count landlords, contractors, or lending institutions that may have a lien on the operation.

Item 14 – Ownership Interest in Operation

V2,V3,V4 Only

Report whether or not all of the owners of the operation are part of the operator's household. If all owners are part of the operator's household, enter a code of 1 and go to item 23. If they are not enter a code 3 and continue to 14b.

**Item 14a – How many Owners Part of Operator's Household
V1 Only**

Report the number of owners that live in the operator's household in 14a. The purpose of this item is to have an measure the links between the farm business and the farm operator household.

Item 14b – Percent Ownership Interest in Operator's Household

Report the ownership interest, in percentage terms, that the operator and those living in the operator's household have in the farm operation. The purpose of this question is to be able to develop an estimate of the net worth of the farm household (in combination with their nonfarm net worth from Section J) in contrast to the net worth of the farm business.

Item 14c – Ownership Interest by Blood/Marital Relatives

Report whether or not the sum of the total ownership interests held by the (1) the operator, (2) other members of the operator's household, or (3) other persons living outside the operator's household but who are related by blood or marriage to the operator is greater than 50 percent. Record a '1' in 14c if the response is a Yes. The purpose of this question is to accurately classify farm operations as family farms, because sometimes family members who share the ownership of the farm do not all live in the same household.

**Items 15-17 – Farm Operation Business Plan
V1 Only**

Business planning involves the selection of short- and long-term objectives for the farm business and drawing up tactical and strategic plans to achieve those objectives. In planning, farm managers outline the steps to be taken in moving the farm business towards meeting those objectives. Upon establishing long-term strategies or goals, the farm business manager must set more specific plans such as what and how

much to produce, methods of financing, etc. Data from these questions, along with various financial performance measures, will allow us to identify the relation between farm management planning activities and farm financial results.

Report which business plan the operator has for the farm operation. Item 15 can include written and non-written business plans. Indicate on Item 16 whether or not the business plan is written. If only one operator is responsible for the business plan, indicate this on Item 17.

Item 18 – Sources of Non-Paid Advice
V1 Only

Record on Item 18a if the operator received non-paid technical advice from NRCS or an NRCS technical service provider. If there was another advisory group the operator received non-paid advice regarding managing the farm, indicate so in Item 18b.

Items 19-21 Internet Usage
V1 Only

Internet and computer use by farmers, as in the rest of the country, has grown rapidly in the past several years. USDA is interested in assessing which farm households are adopting this new technology and which ones are not, and the extent to which farms are relying on the Internet to carry out their business transactions. Farms making purchases and sales over the Internet may or may not make payment online. Aside from using the Internet as a purchasing or marketing tool, we ask about any other ways, such as gathering information or communicating with creditors and USDA agencies, that farm households are using the Internet to their advantage as part of their business.

Item 19 Use of the Internet
V1 Only

If the operator used the Internet as part of the farm business, record a “1” and skip 19a, and continue to item 20. If the code for item 19 is “3” or No, go to 19a and use codes 1 - 4 to record the reason why the Internet is not being used. Then skip items 20 and 21 and go to item 22.

Item 20 **Input Purchases in 2005**
V1 Only

This is a screening question to determine if the operation purchased any inputs over the Internet in 2005. Offline payment for Internet input purchases also qualifies.

In the event that the operation did not purchase any inputs over the Internet in 2005, check "No", record a 3 and skip to item 21.

Column 1 **Type of Input**

Column 1 includes types of inputs the operator may have purchased during the year.

Column 2 **Dollars Spent**

For each type of input listed in column 1, record the total dollars spent in 2005. The purchase must have been made over the Internet.

Column 3 **Cost Savings**

Record in terms of percent, the estimated cost savings the operator had by making the purchase over the Internet versus making the purchase through retail and wholesale businesses. If there was not a price savings, enter a '-' and write a note.

Column 4 **Future Internet Activity**

Record the operator's future plans for purchasing the Item 1 input over the Internet. For each input purchased in 2005, a response is required for column 4.

Item 21 **Crop and Livestock Sales Over Internet**
V1 Only

Record the amount received by this operation for direct sales of crops over the Internet. Offline payment for internet sales also qualifies.

Column 1 Type of Input

Column 1 included types of commodities the operator may have sold during the year.

Column 2 Amount Received

For each type of commodity listed in column 1, record the total dollars received in 2005. The sales must have been made over the Internet.

Column 3 Estimated Gain

Record in terms of percent, the estimated gain the operator had over market sales by making the sale over the Internet versus making the sale through other means. If there was not an economic gain, enter a '-' and write a note.

Column 4 Future Internet Activity

Record the operator's future plans for selling the agricultural commodity in column 1 over the Internet. For each type of commodity sold in 2005, a response is required for column 4.

Item 22 Activities Related to Commodities Produced
V1 Only

Input purchasing strategies to reduce input costs have become increasingly popular among farmers. These strategies help to reduce the risk of higher input costs due to rising input prices during the spring planting season when most inputs are used. For example, during the spring of 2003 nitrogen fertilizer prices increased dramatically as the result of higher prices for natural gas, the major input for producing nitrogen fertilizers. Farmers who used the strategy of locking in the price of nitrogen fertilizer or contract purchasing nitrogen fertilizer prior to the first of the year paid considerably less than farmers who waited until the planting season to purchase their inputs. This section will collect the data necessary to analyze the input purchasing activities used by farmers and the impact these activities had on the costs and returns to farming.

Ask if each of the 3 activities (forward purchases, price discounts, and non-coop buying clubs) was used for purchasing each of the inputs (seed,

fertilizer, crop chemicals, fuels, and livestock feed). If so, record a 1 in the appropriate cell and ask that activity's followup questions. If the farmer did not use the activity for purchasing the input, or the farmer did not purchase the input, leave the cell blank and do not ask that activity's followup questions.

Item 23&24 – Screen for Household Questions

We only want to collect household-related questions from operators if they are connected to the farm operation through an ownership interest. If they are not and only receive a wage or salary or in-kind payment for operating the farm, then they would not be considered to be a traditional family farm. Therefore, the household-related information for this group of operators is not relevant in an economic analysis of family farms because the income and net worth of their household is not available to the farm operation. Some family farms may very well pay a family member to be a hired manager for a variety of reasons, including tax and legal reasons. We want to be able to include these farms as family farms, even if they do pay a family member to be a hired manager.

Item 23 – Screen for Hired Manager

If the operator is a hired manager (essentially an employee that receives a wage or salary for making the day to day management decisions) of the operation, record a '1' for Item 23 and proceed to Item 24. If the operator is not a hired manager, skip to Item 25 after recording a '3' for Item 23.

Item 24 – Screen for Ownership Interest

As the legal structure of farming operations becomes more complex, more operations are being organized as corporations, with the land owned by a limited liability corporation or partnership, and the operator (who has an ownership interest in the corporation and the land) serving as a hired manager of the corporation. There are tax and asset protection benefits from this type of legal arrangement. If the operator or a relative has an ownership interest in this operation, record a '1' in Item 24, otherwise record a '3'.

Items 25-26 – FARM LABOR/USE of TIME

V1 Only (Instructions for Versions 2-5 are farther down)

Item 25-26 – Hours Worked by the Operator, Spouse, Other Operators, and Unpaid Workers

These items provide the information (1) to estimate the labor required to produce agricultural products, (2) to study the effects of agricultural policy changes, and (3) to measure the well-being of farm households.

Labor used in agriculture. Labor is an important input into agricultural production, and the majority of labor is provided by farm operators and their families. Most of the time farm families do not pay themselves a wage or salary. Nevertheless, it is important to estimate the use of their time and to estimate the cost of using it in the production of agricultural products. There are a variety of indicators that USDA and other policy makers use when they track how the farm sector and farm families are doing. Some of those indicators require information on the total hours used in agriculture, whether it is paid a wage or not. Other indicators just focus on the cash flow of the farm business, so it is necessary to know which hours are paid and which hours are not.

Policy analysis. Information on how labor is allocated is also used to study the effects of different policies. Always of interest is how new policies affect how much agricultural output is produced, since the supply of product affects the prices farmers receive for their product. This is of interest domestically and internationally, for trade purposes. One way in which policies affect agricultural output is through their effects on how farm families spend their time, so studying how different policies affect time allocations is of interest to policy makers.

Farm household well-being. Farm families can allocate their time to a variety of activities, some of which earn them income and some of which do not. Since most of the income of most of the farm families comes from working off the farm, knowing both where families spend their time and where they earn their income provides policy makers with an understanding of the returns to farming compared to other activities of the household.

Item 25 a&b – Operator and Spouse Use of Time
V1 Only

Ask the respondent to report average hours per week for four different 3-month periods. Because it can be difficult to recall how time was spent it helps the respondent if they are asked to recall the time for different periods of the year when farm tasks may vary with the season. The operator should be able to approximate the average number of hours per week in each quarter because each quarter roughly corresponds to the seasons. Respondents are also used to considering work hours on a weekly basis. Respondents may be more likely to accurately recall their work history when asked to do so for a weekly-average basis.

It may help the respondent to account for how all of the time is spent in a typical week for those different seasonal periods. In Item 25a only, since there are 24 hours in a day and 7 days in a week, the respondent (other than hired managers without an ownership interest) should account for 168 hours per week, for a typical week in each of the 4 quarters. For operators other than hired managers with no ownership interest, Item 25a should add up to 168 hours per week for each of the 4 quarters of time. If the operator (other than a hired manager with no ownership interest) is married, record hours for the spouse in Item 25b in a similar fashion. For their spouses, Item 25b should add up to 168 hours per week for each of the 4 quarters of time. For farms and ranches operated by hired managers (without an ownership interest), we only ask about the farm hours the hired manager, spouse, other operators, and other unpaid workers worked on the farm. So, for hired managers without an ownership interest, Items 25a and 25b do not need to add up to 168 hours per week. For all other operators, we ask how their time and their spouses' time were allocated across a variety of activities.

Item 25a (i-ii) – Operator Farm/Ranch Work Hours

These items should be recorded for all operators, whether they are hired managers or not. Record all of the hours of farm work, even for operators who only work for a few hours a week on the farm (bookkeeping, running errands, etc.). Include all work done for the farm business. Some respondents may say they do not spend any time working on their operation. This is particularly true of those whose entire operation is enrolled in the CRP. These respondents should count the time spent on oversight, paperwork, filing income tax forms, and even the time spent

completing this interview! **Section F, Item 23 instructions give examples of agricultural work.** If the hours of work are not paid a wage or salary, then report the hours in Item 25ai. If the hours of work are paid a wage or salary, then report the hours in Item 25aai.

Item 25a (iii) – Operator Non-Farm Work Hours

Record the time the operator spent working off his or her farm for pay. If operators work off their farm doing farm work for another operation, record those hours here. If an operator runs a home-based business from the farm, separate from this operation, report those hours here. Do not include commuting time in non-farm work hours since those hours are not paid a wage or salary.

Item 25a (iv) – Operator Other Hours

Record the time the operator spent on all other activities, excluding farm and off-farm work. Examples of this would include leisure time, time spent in volunteer activities, child or elder care, or in household chores, such as cooking and cleaning. Exclude time spent in farm business planning. Hours spent on farm business planning should have been recorded in either Item 25a (i) or 25a (ii), depending on if those hours were paid a wage or salary.

Item 25b – Operator’s Spouse’s Use of Time

If the operator (other than a hired manager) is married, record hours for the spouse in Item 25b in a similar fashion. For spouses, Item 25b should add up to 168 hours per week for each of the 4 quarters of time unless the farm is operated by a hired manager without an ownership interest. For these farms and ranches, we only ask about the farm hours the hired manager, spouse, other operators, and other unpaid workers worked on the farm. We only ask Items 25b(i) and 25b(ii) for spouses of hired managers. For all other operators, we ask how their time and their spouses’ time was allocated across a variety of activities.

Item 25b (i-ii) – Operator’s Spouse’s Farm/Ranch Work Hours

Record all of the spouse’s hours of farm work, even for spouses who only work for a few hours a week on the farm (bookkeeping, running errands,

etc.). Include all work done for the farm business. Some respondents may say they do not spend any time working on their operation. This is particularly true of those whose entire operation is enrolled in the CRP. These respondents should count the time spent on oversight, paperwork, filing income tax forms, and even the time spent completing this interview! **Section F, Item 23 instructions give examples of agricultural work.** If the hours of work are not paid a wage or salary, then report the hours in Item 25bi. If the hours of work are paid a wage or salary, then report the hours in Item 25bii.

Item 25b (iii) – Operator’s Spouse’s Non-Farm Work Hours

Record the time the operator's spouse spent working off his or her farm for pay. If the operator's spouse worked off their farm doing farm work for another operation, record those hours here. If an operator's spouse runs a home-based business from the farm, separate from this operation, report those hours here. Do not include commuting time in non-farm work hours since those hours are not paid a wage or salary.

Item 25b (iv) – Operator’s Spouse Other Hours

Record the time the operator's spouse spent on all other activities, excluding farm and off-farm work. Examples of this would include leisure time, time spent in volunteer activities, child or elder care, or in household chores, such as cooking and cleaning. Exclude time spent in farm business planning. Hours spent on farm business planning should have been recorded in either Item 3bi or 3bii, depending on if those hours were paid a wage or salary.

Item 26 – Other Operators’ and Unpaid Labor Hours

Ask of all other operators. Record hours of farm work for other operators and other unpaid workers not recorded above in Items 25a and 25b for the main operator and spouse. Hours of farm work should be recorded only once in Items 25-26. For multiple workers, record the TOTAL average number of hours worked per week. For example, if there are three workers who worked an average of 42, 24 and 15 hours per week respectively, the correct entry for this item is 81 hours.

Item 26a – Other Operators’ Unpaid Labor Hours

Record the hours other operators worked on the farm without receiving a wage or salary. Other operators include those persons responsible for the day-to-day management decisions for this operation, and may include hired managers. Do not include the hours reported in Item 25ai for the operator. Do not include the hours reported in Item 25bi above for the spouse, even if the spouse is considered another operator.

Item 26b – Other Operators' Paid Labor Hours

Record the hours other operators worked on the farm and received a wage or salary for this work. Other operators include those persons responsible for the day-to-day management decisions for this operation, and may include hired managers. Do not include the hours reported in Item 25a(ii) above for the operator. Do not include the hours reported in Item 25b(ii) above for the spouse, even if the spouse is considered another operator.

Item 26c – Other Unpaid Labor Hours

Record the hours other unpaid workers worked on the farm. Unpaid workers could include non-operator partners or family members who are not operators. Do not include the hours reported elsewhere (for example, in Items 25ai or 25bi for the operator or spouse, respectively, or the hours reported in Item 26a for other operators.)

ITEM 27 – FARM LABOR (V2,V3,V4)

ITEM 6 – FARM LABOR (V5)

Item 27 – Hours Worked by the Operator, Spouse, Other Operators, and Unpaid Workers

These items provide the information to estimate the labor required to produce agricultural products. Record the average number of hours worked per week on the farm/ranch for each quarter. The operator should be able to approximate the average number of hours worked per week in each quarter because the quarters roughly correspond to the seasons.

Be sure to record all of the hours of farm work. Record all work time,

even for workers who only work for a few hours a week on the farm (bookkeeping, running errands, etc.). Include all work done for the farm business.

Some respondents may say they do not spend any time working on their operation. This is particularly true of those whose entire operation is enrolled in the CRP. These respondents should count the time spent on oversight, paperwork, filing income tax forms, and even the time spent completing this interview! **Section F, Item 23 instructions give examples of agricultural work.**

Item 27a – Principal OPERATOR'S Hours of Farm Work

For each quarter, record the average number of hours of farm work the principal operator did per week. Record both paid and unpaid hours of work. These items will provide information on the extent of the farm operator's commitment to farming. Given the fact that farm operators allocate their working hours between on- and off-farm work, collecting information on the amount of hours worked on the farm by the farm operator becomes vital.

This information is critical in discerning the importance of the farming activity as a source of the farm operator's household income. On-farm work may not be very important to many farm operators because the majority of their working hours are spent off-farm. However, farming remains important to the operator's household due to the on-farm work by the spouse and by other household members.

Since respondents indicate marital status, and also provide detailed information related to on- and off-farm work hours, analysis of this combined data will provide vital information as to whether farm production activities are secondary to non-farm production activities.

Item 27b – Principal Operator's SPOUSE'S Hours of Farm Work

If the operator is married, record for each quarter, the average number of hours of farm work the operator's spouse did per week. Record both paid and unpaid hours of work. These items will provide important information on the extent of spouses' contribution toward on-farm total work hours provided by all household members. For households where a

spouse is present, on-farm work by the spouse allows for the release of labor hours by the operator, which tend to be utilized, as previous surveys have indicated, in off-farm work activities to increase the households' total income. Since the survey allows for the identification of spouse's gender and age, information on spouse's on-farm work hours provides vital information on the role of the life cycle in determining farm production and time-allocation decisions. In other words, farm operators' spouses (who tend to be women) are likely to differ in the extent and in the type of their contribution towards total family farm labor based on their stage in the life cycle. For example, the number of hours that farm spouses in the childbearing age group contribute to the operation may be similar to hours contributed in other age groups, but the allocation of their hours among various farm production activities is likely to differ. Combining information from these items on spouses' on-farm work hours along with items from below on how these hours are spent on various farm production activities will help underpin, in a much clearer way, the time-allocation decisions by household members.

Item 27c – Other Operators' Hours of Farm Work

For each quarter, record the TOTAL average number of hours of farm work done per week by any other operators (excluding the principal operator and the principal operator's spouse). Other operators include those persons responsible for the day-to-day management decisions for this operation, and may include hired managers. Include both paid and unpaid hours.

If there is more than one other operator, record the TOTAL average number of hours worked per week. For example, if there are three other operators who worked an average of 42, 24 and 15 hours per week, respectively, the correct entry for this Item is 81 hours.

Item 27d – Unpaid Workers' Hours of Farm Work

For each quarter, record the TOTAL average number of hours of farm work done per week by any unpaid workers (excluding the operator). Unpaid workers may include members of the operator's household, partners, neighbors, guests, etc.

For multiple workers, record the TOTAL average number of hours worked

per week. For example, if there are three workers who worked an average of 42, 24 and 15 hours per week respectively, the correct entry for this Item is 81 hours.

Dairy Enterprise Labor – V4 Only

This section is only asked on the Dairy (Version 4) questionnaire.

These items provide the information necessary to estimate the labor required on a dairy operation. Item 28 collects the hours worked (both paid and unpaid) by the operator and the hours worked by all unpaid workers on the Dairy enterprise. Item 29 records the hours worked by all paid workers on the Dairy enterprise. Items 30 and 31 records the average wage paid to full-time and part-time workers respectively.

Item 28a Operator's Hours Worked on the Dairy Enterprise

For each quarter, record the average number of hours the operator worked on the Dairy enterprise per week. Record BOTH paid and unpaid hours.

Item 28b Hours Worked By Unpaid Workers on the Dairy Enterprise

For each quarter, record the TOTAL average number of hours of farm work done on the Dairy enterprise per week by any unpaid workers (excluding the operator). Unpaid workers may include members of the operator's household, partners, neighbors, guests, etc.

For multiple workers, record the TOTAL average number of hours worked per week. For example, if there are three workers who worked an average of 42, 24 and 15 hours per week respectively, the correct entry for this item is 81 hours.

Item 28b (i) Hours Worked By Children Under Age 16

Even though the workers were “unpaid” there is a value associated with the labor they performed. To accurately reflect the true cost of a dairy operation, a value per hour will be applied to all unpaid labor. Because, in general, children under age 16 are paid a lower wage than older workers, this question is asked so an adjustment can be made to the value derived

for unpaid labor.

Record the percentage of the hours worked by all UNPAID workers (excluding the operator) that was performed by children under age 16.

Item 29a Hours Worked By Full-time Paid Workers on the Dairy Enterprise

For each quarter, record the average number of hours all full-time paid workers worked on the Dairy enterprise per week.

For multiple workers, record the TOTAL average number of hours worked per week. For example, if there are three workers who worked an average of 42, 24 and 15 hours per week respectively, the correct entry for this item is 81 hours.

Item 29b Hours Worked By Part-time Workers on the Dairy Enterprise

For each quarter, record the average number of hours all part-time paid workers worked on the Dairy enterprise per week.

For multiple workers, record the TOTAL average number of hours worked per week. For example, if there are three workers who worked an average of 42, 24 and 15 hours per week respectively, the correct entry for this item is 81 hours.

Item 30 Average Wage Paid to Full-Time Workers

If full-time workers were reported in item 29a, record the average wage paid to all full-time workers on the Dairy enterprise.

Report both the wage rate (in dollars and cents) and the unit code related to the appropriate frequency (per hour, per day, per week or per month).

Item 31 Average Wage Paid to Part-Time Workers

If part-time or seasonal workers were reported in item 29b, record the average wage paid to all part-time or seasonal workers on the Dairy enterprise.

Report both the wage rate (in dollars and cents) and the unit code related

to the appropriate frequency (per hour, per day, per week or per month).

Section J – Farm Household

Item 1 – Is the Spouse an Operator

Ask if the spouse was reported as either Operator 2 or 3 in Section I, Item 4. If so, the age of the spouse was already collected, so enter a '1' and proceed to Question 2. Otherwise, enter a '3' and proceed with Item 1a.

Item 1a – Spouse's Age on December 31, 2005

Ask the age of the operator's spouse on December 31, 2005.

Items 2 & 3– Race or Origin

The purpose of this question is to examine the relationship between the financial situation of the operation and the race or ethnic origin of the operator and spouse. In Item 3, refer the respondent to the list of Race Codes in the Respondent Booklet. Place a "1" in the column across from each race that applies. If more than one race applies then multiple 1's may be entered.

Item 4 – Highest Level of Formal Education

This question provides the data for a look at the operation's financial situation as it relates to the education of the operator and spouse.

Enter the code representing the highest level of school completed by the operator and spouse. Vocational school, secretarial school, etc. should not be counted as formal education unless the credits can be transferred to a college or university. A college graduate is considered as a B.S. or B.A. degree and should be coded "3". An associate degree should be coded as a "2".

Item 5 – Major Occupation

We consider major occupation to be the occupation or work at which an individual spent more than 50% or more of his or her work time in 2005. Total work time can include working at home, such as cooking and cleaning. Work other than farming/ranching means at an off-farm job or

business. Record what the respondents consider themselves to be. If the principal operator has a spouse, ask for both the operator and the spouse.

Item 6 – Operator & Spouse Off-Farm Work
V2, V3, V4 Only

These questions are used to gauge the amount of operator's and/or spouses' off-farm work. The respondent should consider both self-employment and work for others when answering whether the operator worked off-farm. Many farm operators may have to work off the farm to support their farming operations. The purpose of these questions is to evaluate the impact of off-farm work on the financial situation of the farm and farm households. Off-farm work opportunities have become critical to the survival of most farm families. Off-farm employment includes jobs for which wages, salary, or self-employment income was earned. Include as off-farm employment any custom or contract work done on another farm if it is not considered part of this farming operation (if separate books are kept). Also include ownership or management of any off-farm business if the operator contributed hours (not just equipment or money).

If the operator and/or spouse had a non-farm job at any time in 2005, enter a '1' and continue with Item 6a. Otherwise, enter a '3' and if both operator and spouse recorded a '3' then continue with Item 7.

Item 6a – Weeks Worked Off the Farm
V2, V3, V4 Only

Record the number of weeks that the operator and/or spouse worked off this operation for pay in 2005.

Item 6a – Average Hours Worked Per Week
V2, V3, V4 Only

For the weeks the operator and/or spouse worked off this operation for pay in 2005, record the average hours worked per week. If the operator and/or spouse had more than one job, include the average hours for all jobs combined. For example, if an operator worked 10 hours per week on one job and 20 hours per week on another, the average number of hours worked per week would be 30 hours.

Item 7 – Retirement from Farming

Farmers may consider themselves to be retired from farming if their active involvement in the farming operation is much lower compared to when they were younger. Allow the respondent to answer this question according to their own definition.

**Item 8 – Number of People in the Household
V1 Only**

This question provides information about the number of people who depend on the farm for income and are affected by its current financial situation.

Record the total number of people living in the operator's household on December 31, 2005. Include the operator, spouse, children, and others living in the household. Also include those who are dependent upon the household for support, whether they are living in the household or not. Students who are away at school should be counted, if they depend upon the farm household for support.

**Item 8a-b – Number of People in the Household Covered with Health Insurance
V1 Only**

Record how many people in the household are covered by health insurance and indicate the number of people whose health insurance was provided from the listed sources in items 8a and 8b respectively. Health insurance provided by this operation means that the premium expense was paid by the farm business and should be reported in Section F, item 27.

Private health insurance means the individual or household was responsible for the full premium. If the respondent paid a partial premium and the rest was paid by an employer that should have been included in 8b(i) or 8b(ii).

**Item 9 – Minors and Seniors in Operator's Household
V1 Only**

Of the number of people living in the operator's household as you gave for Item 8, record the number for each age group. Including the operator and spouse, record the number of household members that were 65 years and older. For each age group, a farm household can make different decisions depending on the needs of the dependents. These items provide vital

information on the composition of the farm family itself with its attending demand on the time available to the operator and to the spouse for non-home production activities and on added expenditures. For example, farm families reporting children younger than six years old will need a parent to stay home to provide needed care (or have access to another source of care) thus diminishing the amount of available time for non-home productive activities. For parents with young children who opt to work outside the homes (either on- or off-farm), there will be the extra expenditures needed to cover the cost of day care, leaving the farm family with less disposable income. The farm operator's decision making can be different if older dependents are also a part of the household.

Item 10 – Distance to Nearest City with 10,000 or More People
V1 Only

Record the driving distance (in miles) from where the operator lives to the closest city with a population of 10,000 or more. If the operator currently lives in a city with 10,000 or more people, then the answer should be 0.

Item 11 – Does Operator Live On or Adjacent to Any Part of Their Farm/Ranch Land?
V1 Only

For operators whose farm is located in more than one place, we want to know if the farm household is located on or near any part of the farm or ranch. If the home of the principal operator is not located on or near any part of the farm or ranch, code this no (= 0).

Item 12 – Mileage Traveled to Off-Farm Job
V1 Only

This question will help in assessing what is called 'transaction costs' of off-farm employment. Farm operators who live on farms that are far away from major towns where off-farm employment is centered may not only have higher transportation costs than those operators who live closer to these towns, but the additional commuting time and transportation costs may be a substantial disincentive for long-term off-farm employment.

**Item 13 – Years Worked Off-Farm Job
V1 Only**

This question addresses whether farming activity is secondary to off-farm employment or whether it is, or has been for a number of years, the main source of income for the farming household.

Item 14 – Off-Farm Income (Cash Income from Sources Other Than This Farm Operation)

The amount of off-farm/ranch income available to farm households is sizeable. To understand the economic situation of agriculture, it is important to know how much outside income is available to farm/ranch households. The breakout of cash income received is requested to assure that cash income reported on each response will have the same definition.

The request for income by operator, spouse, and other household members recognizes that there can be multiple sources of income for the household by each household member, and that the contribution of each should be included. Ask for income received by source, including wages or salaries from off farm work, income from operating any other business, cash or share rent, interest, dividends, capital gains/losses, retirement, social programs, and other sources. Obtaining income in this manner recognizes that there are a multitude of possible sources from which a household may receive income, depending upon its individual situation and previous investments. The breakout is to assure that income from each of these sources is considered by each respondent. This also allows us to analyze how the composition of income may be affected by differences in operator or farm characteristics. Also, this detail allows us to analyze how the composition of income may change as wage earners move through their life cycle. This allows us to more accurately assess the financial health of the farm household.

For the 10 categories of off-farm income, record the VALUE CODE that represents off-farm income for the operator and all members of the operator's household in 2005.

Include:

- (1) the operator identified in screening. If the operation is a partnership, and the responding partner cannot get this information for the partner identified as the operator in screening, the

responding partner should report the information for himself/herself.

- (2) the individual identified as the operator for a family corporation.
- (3) all other members of the operator's household. If an operator lives with parents, or other adults, any income earned by these household members (Social Security, off-farm jobs, net income from other farms, etc.) must be included.

Exclude:

- (1) landlord's share.
- (2) other partners in a partnership, unless they lived in the same house as the operator.

Note that for each of these items, if no income was received, "1" must be entered. When using Value Codes a code "1" indicates zero.

ENUMERATOR NOTE: "Off-farm pay" in V5 is equivalent to "off-farm wages, salaries, and tips before taxes and withholding." This will usually be income reported on a W-2.

Item 14a – Off-Farm Pay for Principal Operator, Spouse, Other Household Members

Report the off-farm wages, salaries, and tips before withholding separately for the operator, the operator's spouse, and other household members.

Item 14b-14j – Other Sources of Income for Principal Operator, Spouse, Other Household Members

Report the other sources of income separately for the operator, the operator's spouse, and other household members.

Item 14g – Proceeds From the Sale of Non-Farm Capital Assets

As farm households diversify their investment portfolio, the importance of income from the sale of other farm and non-farm investments has increased greatly. Report the net proceeds from the sale of capital assets. For example: The operator sold a rental house in town for \$100,000. The house had a mortgage of \$50,000 at the time of sale. At settlement, (ignoring real estate commissions and other closing costs) the mortgage

was paid and the operator received a check for \$50,000. The total proceeds from this sale are \$50,000.

Item 14g (i) – Recognized Gain/Loss on the Sale of Non-Farm Capital Assets

There may be tax consequences when a capital assets is sold. Certain assets can be exchanged for “like-kind” assets in tax-free transactions. Report recognized taxable gain/loss associated with the sale of other farm or non-farm assets here. Report any gain/loss recognized on sales of land in this farm operation in Section E, Item 4f. Gains/losses on the sale of capital assets are essential in estimating an after-tax farm household income measure. Gains/losses are computed as the difference between the sale price and the seller’s tax basis in the property (cost plus improvements less accumulated depreciation). In the example above, the operator sold the rental house for \$100,000; it had a \$50,000 mortgage. If the operator had originally paid \$40,000 for the house, spent \$10,000 on an addition, and had taken \$15,000 in depreciation, the basis in the house would be \$35,000 ($\$40,000 + \$10,000 - \$15,000$). As a result, at the time of sale the operator would have a recognized taxable gain of \$65,000 ($\$100,000$ sale price less $\$35,000$ basis).

However, sellers often defer the payment of these taxes, under certain conditions, by purchasing a replacement property in a tax-free exchange. Ask the respondent if the sale of the property involved a tax-deferred like-kind exchange. Section 1031 and Starker exchanges are common forms of like-kind exchanges.

**Item 15a – Source of Off-Farm Wages
V1 Only**

If there was income reported for off-farm wages (Item 14a), record the type of business the operator and spouse worked at.

**Item 15b – Source of Off-Farm Income
V1 Only**

If there was income reported for net cash income from operating another business (Item 14c), record the type of business the operator and spouse worked at.

Item 16 – Other Households Share of Farm Income

Record a '1' if other households share in the income from the farm business. Record a '3' if the answer is "No" and go to Item 19.

Item 17 – Income received from S-Corporation

Percent of the Farm Operation's Net Income received by Operator's Household if the operation is not a C-Corporation

Item 17 requires a percentage response if the operation is organized by any other type of business structure other than a C-corporation.

Item 18 – Income received from C-Corporation

Dividends received by operator's household from Farm Operation if it is a C-Corporation

Note that this item asks for a dollar amount (e.g.; \$10,000) received by operator's household if the operation is a C-corporation.

Item 19 – Non-Farm Assets Owned by Operator and Household

This question applies to the operator's household only, not to the operator's farm business for which data has previously been reported. Do not include assets of the operation reported earlier in the questionnaire. Assets of the operation were reported in Section G. Include the value of the operator's dwelling here if it is owned separately from the operation and excluded from farm business assets.

Record the VALUE CODE which included the value of assets owned by the operator and members of the operator's household SEPARATELY from the operation on December 31, 2005.

**Item 19a – Financial Assets in Non-retirement Accounts
V1 Only**

Record the VALUE CODE which included the value of household financial assets held in non-retirement accounts. Income generated by these assets will generally be taxable in the current year. Such accounts include CDs, mutual funds, stocks, bonds, taxable brokerage accounts, and

money market accounts. Include the cash value of life insurance policies.

**Item 19b – Financial Assets in Retirement Accounts
V1 Only**

Record the VALUE CODE which included the value of household financial assets held in retirement accounts. Income generated by these assets will generally NOT be taxable in the current year. Such accounts include Regular and Roth IRAs, 401(k)s, 403(b)s, Keogh accounts and other tax-deferred accounts. Investments in these accounts generally include financial assets that can also be held in taxable accounts.

**Item 19c – Operator's Dwelling
V1 Only**

Record the VALUE CODE which includes the value of the operator's dwelling if it is not owned by the operation, and other personal use homes, such as vacation or second homes.

**Item 19d – Real Estate
V1 Only**

Record the VALUE CODE which includes the value of the any other farms, residential rental, commercial, industrial, or other real estate owned by members of the operator's household.

**Item 19e – Other Businesses
V1 Only**

Record the VALUE CODE which includes the value of the any other businesses that are not part of this farm.

**Item 19f – Other Assets
V1 Only**

Record the VALUE CODE which includes the value of the any other assets not reported elsewhere: furnishings, RVs, non-farm share of cars and trucks.

Item 20 – Non-Farm Debt

This question applies to the operator's household only, not to the operator's farm business. Do not include debt of the operation reported earlier in the

questionnaire. Do not include household debt, credit cards, etc. used to finance farm business expenses. Report all such debts in Section H.

Record the VALUE CODE which includes the value of debts owned by the operator and members of the operator's household SEPARATELY from the operation on December 31, 2005.

**Item 20a – Mortgages on operator’s dwelling and other personal homes.
V1 Only**

Record the VALUE CODE which represents the amount of household debt, if not owned by the farm operation, in mortgages on the operator’s dwelling and other personal homes. Include home equity loans, and other lines of credit secured by the operator’s dwelling.

**Item 20b – Mortgages on other real estate.
V1 Only**

Record the VALUE CODE which represents the amount of household debt for other real estate properties, such as residential and commercial properties, and other farms. Include any lines of credit secured by other real estate.

**Item 20c – Other Businesses Loans.
V1 Only**

Record the VALUE CODE which represents the amount of debt associated with non-farm business loans. These businesses are independent of the farming operation.

**Item 20d – Personal Loans.
V1 Only**

Record the VALUE CODE which represents the amount of household debt in the form of personal loans such as credit card debt, auto loans, medical bills, and unpaid taxes.

Item 21 – Spending in 2005

Household expenditures are obtained for two important reasons: (1) the estimate is incorporated in the Index of Prices Paid, and (2) it is necessary to know how much is spent on family living to develop an estimate of farmer’s debt repayment capacity. Family living expenses are deducted from net income to determine how much is left over to replace equipment

and to repay outstanding debt. Household expenditures are also collected in order to compare with basic needs reported earlier, and to construct an overall index of household well-being.

V1 Only

Expenses are reported for each of seven categories.

V2,V3,V4

Expenses are aggregated and reported as a total.

Item 22 – Total Value of Farm Sales in Previous Year (2004)

Use the value codes at the top of the page to obtain the respondent's best estimate of the total value of farm sales in 2004.

Item 23 – Net Operating Income in Previous Year (2004)

Use the value codes at the top of the page to obtain the respondent's best estimate of net operating income for the farm in 2004. In cases where the respondent reports a negative value for net farm income in 2004, indicate a minus sign before the value code. For example, code "-3" for losses between \$500 and \$999.

Item 24 – Total Off-Farm Income in Previous Year (2004)

Use the value codes at the top of the page to obtain the respondent's best estimate of total off-farm income in 2004. In cases where the respondent reports a negative value for total off-farm income in 2004, indicate a minus sign before the value code. For example, code "-3" for losses between \$500 and \$999.

**Item 25 – Non-Farm Debt secured by Farm Assets
V1 Only**

The purpose of this question is to examine the affect that non-farm debt has on the financial ratios of the farm business, specifically on debt/asset and debt/equity ratios.

Give the percent of any debt owed by the operator's household for non-farm business purposes (as the respondent noted in Item 20 of this section) which used any farm assets (such as farmland or any other assets reported in Section G) as collateral or security.

Item 26 – Applying for Credit or Loans from 2001 through 2005
V1 Only

The purpose of this question is to compare access to credit between farm families and non-farm families. Data from non-farm families comes from the Survey of Consumer Finance (SCF).

Enter code = 1 if the respondent answers “Yes” to any of these 3 alternatives.

Section L - Irrigation

Versions 2 and 3 Only

This section is only asked in Version 2 and 3 (Corn and Oats).

Information on irrigated agriculture is critical for USDA's Economic Research Service to assess the impact on agriculture, at the farm and regional level, of problems/conflicts associated with water quality, water policy, wildlife, and other environmental issues facing American agriculture. Irrigation data is required across crops for a farm so that economic analysis can correctly estimate all economic costs and benefits to agriculture associated with proposed policy changes that may affect American agriculture.

Item 1 - Irrigation During 2005?

Enter code '1' for operations that irrigated any cropland, alfalfa, other hay or pastureland in 2005. If the operation irrigated in 2005, complete the remainder of Section L. Include any land that was privately owned or rented and land rented from a public agency which received irrigation water as part of the farming operation for this farm in 2005. Exclude irrigation of home gardens.

If no cropland, alfalfa, other hay or pastureland was irrigated in 2005, go to Section M.

Item 2 - Enumerator Instruction - Crops Irrigated

This item records specific crops irrigated on the operation during 2005. Refer back to Section B, page 4. For each crop harvested during 2005, determine if it was irrigated and list the crops irrigated in Column 1. Then, for each crop irrigated, go across the table and complete columns 2-9. Ask all the Column 2 - 9 questions about one crop before going on to the next crop.

Column 1 - Crop

Identify each crop irrigated during 2005 in Column 1. Alfalfa, other hay and pastureland are pre-listed at the bottom of the table because they are often forgotten. Nursery and greenhouse crops may be lumped on one line. All other crops should be reported individually (up to 5 other irrigated crops, separately). If more than five other crops were irrigated, identify the four with the most acres irrigated, then lump the rest on the last line. If more than one irrigated crop is included on the last line, then the last line should be identified as "Other Crops".

Column 2 - Office Use-Crop Code

Record the Crop Code found in the Respondent Booklet on pages 3, 4, 5, and 6. If you have to report more than 1 crop in the "Crop 5" box, then record the crop code as 9999 in cell #1773. The 9999 is the crop code that represents all other crops in this situation. When all other crops are reported in the "Crop 5" box, record the total irrigated acres of all other crops in column 3 (cell #1733), then skip columns 4-9 for this row.

Column 3 - Harvested Acres Irrigated

Report the irrigated, harvested acreage to the nearest whole acre for all irrigated crops, except for tobacco and potatoes. Irrigated, harvested tobacco and potato acreage should be reported to the nearest tenth of an acre. Acreage irrigated of corn and sorghum/milo harvested for silage should always be recorded on a separate line from irrigated acres harvested for grain. Irrigated wheat acreage harvested for grain should be recorded by type (durum, spring or winter). Irrigated acres of small grains harvested for hay should be recorded under Other Hay.

INCLUDE (for each irrigated crop):

- (1) Irrigated acres harvested in 2005.
- (2) Irrigated acres intended for harvest in 2005 even if harvest was delayed until 2006 due to bad weather, etc.

EXCLUDE (for each irrigated crop):

- (1) Double-counting acres from second and later harvests of any crop from a single planting, for example, multiple harvests of hay, a second or third picking of cotton, ratoon crops of rice.
- (2) Irrigated acres of 2004 crops not harvested until 2005 due to weather conditions, etc.

Make sure the respondent is not reporting planted acres by crop when you are asking only for harvested acres.

Columns 4 and 5 – Yield and Unit Code

In column 4, record the average yield per acre for each commodity. This is the average yield on the irrigated acres actually harvested. Record the unit reported in column 5. For example, if the respondent reported an average yield per acre of 70 bushels of wheat, you would record 70 in column 4 and in column 5 you would record “4” for bushels.

If a crop is harvested more than once during the year (for example, hay or alfalfa), then sum the average yield per acre for each harvesting. For example, if a hay crop had two harvests (cuttings) in 2005, and yield for the first harvest was 1.6 tons per acre and yield for the second harvest was 1.2 tons per acre, the total yield would be reported as 2.8 tons (1.6 + 1.2).

If the operator reports yield in a unit that is not listed, be sure to record complete information about that unit, including its weight. This allows the State Office to convert the yield into a more common unit and to also evaluate if the unit reported is commonly used for the reported commodity.

Leave the yield and unit code blank if more than one irrigated crop is included on the last line identified as “Other Crops”.

Column 6 – Primary Irrigation System Type

Record the primary irrigation system type for each commodity. The primary irrigation system for each irrigated crop is the system used to apply the most water during the 2005 crop season for the irrigated crop’s harvested acres. Be sure to have the respondent refer to the Irrigation System Code List shown on the questionnaire above the table.

Column 7 – Average Inches of Water Applied Per Acre

Record the average inches of water applied per acre for the growing season for each commodity. Average applied water per acre can vary significantly across commodities, ranging from a value of 1 to as high as 70 or more inches per acre. One inch of water is equivalent to the quantity of water required to cover an acre of level-land, one-inch in depth. This is approximately 27,152 gallons. If the respondent reports applied water in terms of acre-feet per acre, multiply by 12 to obtain inches per acre.

Column 8 – Percent of Acres Irrigated Using Surface Water

For each commodity, record the percent of acres irrigated using surface water (not well water). This is the percent of irrigated, harvested acres (column 3). For each commodity, the total for column 8 will be equal to or less than 100 percent.

Column 9 – Percent of Acres Irrigated With Surface Water From Off-farm Suppliers

For each commodity, record the percent of acres irrigated using surface water purchased from off-farm water suppliers. This is the percent of irrigated, harvested acres (column 3), not the percent of acres irrigated using surface water (column 8). For each commodity, the percent reported in column 9 will be equal to or less than 100, and equal to or less than the percent reported in column 8.

Off-farm water suppliers may include water purchased from the U.S. Bureau of Reclamation; an irrigation district; mutual, private, cooperative or neighborhood ditches; commercial or municipal water systems. Record surface water from off-farm water suppliers as it was delivered even if the original source of water (i.e., to the supplier) may have come from groundwater wells.

Item 3 – Number of All Irrigation Wells Used in 2005

Record the number of irrigation wells used in 2005 for irrigation of the harvested crops listed above in item 2. Include all types and models actually used for irrigation and whether a crop was harvested above in

item 2. EXCLUDE wells used for purposes other than irrigation and wells used only for non-farm uses. If no irrigation wells were used, go to item 6.

Item 4 – Number of Wells Used With Backflow Prevention Devices

Of the number of wells reported in item 3, record the number of wells which used backflow prevention devices.

When chemicals are applied to the field through irrigation water, potential water-source contamination problems may occur due to accidental backflow of water containing chemicals, the accidental injection of chemicals, or both, into the water source. Backflow prevention devices involve the use of check valves and vacuum relief valves on the irrigation pump system that prevent water containing chemicals from siphoning into the water source when the irrigation pump stops. Backflow prevention may also involve interlocking the chemical injection system and the irrigation pump so that the injection of chemicals stops when the irrigation pump stops in order to prevent accidental injections.

If no wells with backflow prevention devices were used, go to item 5.

Item 4a – Acres Irrigated From Wells With Backflow Prevention Devices

Record the number of harvested acres irrigated using water from the wells identified in Item 4.

Item 5 – Number of Wells Used With Water Meter or Flow Measurement Device

Record the number of wells on the farm which used a water meter or water-flow measurement device.

A water meter, or water-flow measurement device (often referred to as a flowmeter), generally consists of a propeller-driven, flow-measurement device positioned in the center of the flowstream of the irrigation system's water-delivery pipe, but with an attached external flow-measurement unit (sometimes called a "totalizer") which records the total quantity of water flow. The flow-measurement unit may measure water quantity in terms of gallons, acre feet, acre inches, cubic feet, etc.

If no wells with water meters or water-flow measurement devices were used, go to item 6.

Item 5a – Acres Irrigated From Wells With Water Meter or Flow Measurement Devices

Record the number of harvested acres irrigated using water from the wells identified in Item 5.

Item 6 – Additional Management Use of Irrigation System

Record the number of harvested acres irrigated for each purpose listed in Items 6a-e. These need not sum to anything. All may be zero. Enter “DK” for Don’t Know if the respondent used a practice, but does not know on how many acres.

Item 7 – Management Techniques

This item determines respondent use of several water management techniques. For column 2, enter the management practice code shown above the table. For respondents who are currently using the technique (management practice code=6), record the number of acres irrigated using the technique in 2005 (in column 3). For each water management technique (a-c), the number of irrigated acres may range from zero to the total irrigated acres harvested for the farm operation in 2005.

Item 8, 8a – Improvements to existing irrigation systems

Enter code ‘1’ for operations that made improvements in 2005 to existing irrigation systems. Include upgrades or new equipment, but do not include maintenance. Irrigation system upgrades may involve improvements such as switching a center-pivot system from using high-pressure sprinklers to using drop-tubes with attached low-pressure sprinklers. A new irrigation system may involve an investment such as switching from a gravity-flow, gated-pipe system to a low-pressure, sprinkler irrigation system.

In Item 8a, record the number of irrigated acres using the irrigation system improvements.

Item 9, 9a – Offer to purchase water or water rights

Enter code '1' for operations where someone made an offer to purchase water or water rights (from this operation) in the past five years (since January 2000). If no offers were received in the past five years, or the respondent does not know if offers were received, go to item 10.

For item 9a, based on the operator's knowledge, identify the purchaser's intended use of the water. If the operator does not know the purchaser's intended use, record 5 for "don't know."

Item 10 – Years water rights claims reduced or discontinued crop irrigation

Enter the number of years (in the last 10, since January 1995) in which someone with senior water right claims caused the respondent to reduce or discontinue crop irrigation for the farm. Acceptable responses are 0 through 10.

Section M – Corn and Oats Marketing

V2, V3 Only

In the Phase II interview costs of commodity production were collected up until the point that the crop was hauled from the field at harvest. This excludes the additional costs for drying and hauling that are required to store and market the crop. In this section, information is collected that is used to estimate these costs for the 2005 commodities (either corn or oats), so that along with the Phase II cost data, total economic costs of commodity production can be computed.

This section collects data necessary to estimate the marketing costs and returns associated with each commodity. The section differs for each version (either corn or oats) to reflect the differences in marketing methods and practices used for each commodity.

Historical USDA accounts of crop enterprise costs and returns have excluded the direct affects of government programs (i.e., income support, loan, and insurance programs) and have included only production costs. The production period was assumed to end when the commodity was hauled from the field to storage or directly to market. Returns to production were then computed by valuing the commodity at the harvest period price. This method of accounting was used so that the relative returns of commodities could be compared before the impact of government programs, and before the unique market conditions of each commodity were considered. While this method has been useful for policy-making by putting each commodity on an equal footing for comparison, it does not present a complete picture of the actual costs and returns associated with each farm enterprise. It also does not provide a perspective on the impact that government policy had on the costs and returns of farm enterprises. Information collected in this section, as well as information on government payments and insurance payments and costs collected in sections E and F, will be used to present a more complete cost and return picture for the enterprise. These data will be used to enhance the understanding of how returns to commodity production vary across the farm sector, and to determine what factors have the greatest impact on the net returns of individual commodity enterprises.

When completing this section, please note that all questions refer to the 2005 crop produced (either corn or oats), not the crop marketed in 2005, that was from the previous years crop. The 2005 crop was the one harvested in 2005.

Item 1 – Month crop was harvested

Report the month, numbered 1 (January) through 12 (December), in which the majority of the 2005 crop was harvested.

Item 2a-c – Crop Drying

Crop drying can be a considerable part of the operating and ownership costs of commodity production on some farms. Various fuels are used as a heat source to dry grain and electricity is used to power fans that force air through the grain or seed.

Record how much of the 2005 crop harvested was dried by each method. Custom drying may also be called commercial drying. If drying facilities on another operation were used to dry the crop, record this as custom drying. The category “dried other than custom dried” includes on-farm drying. Count the crop as dried only if fuel and/or electricity was used to remove moisture from the crop. Include the amount of crop that was left to dry completely in the field as not dried (item 2c).

Item 3 – Cost of Custom Drying

If any of the 2005 crop was custom dried, record the cost of custom drying the crop in either cents per bushel or total dollars for the entire crop. If total dollars are reported, be sure to include the landlord’s share.

Item 4a-c – Crop Drying

This question includes 3 parts that collect information about any crop drying that was done other than custom drying (item 2b).

In Item 4a record the main fuel type used to dry the 2005 crop. If more than one fuel type was used to dry the crop, enter the code for the fuel used to dry the largest portion of the crop.

In item 4b record an estimate of the average percentage points of moisture removed by drying the 2005 crop. For example, if the corn was harvested at 14.5 percent average moisture and then dried to 13.0 percent moisture, enter 1.5 ($14.5-13.0=1.5$). Record the percent to the nearest tenth.

In item 4c record an estimate of the hours of each type of labor that were used to dry the 2005 crop. Include the time spent unloading and loading the crop, overseeing the drying, and hauling the dried crop to market. Exclude custom drying labor and contract labor.

**Item 4d-f – Facilities Used for Drying Corn Crop
V2 Only**

Record the primary type of facility used to dry the 2005 corn crop in item 4d. Record how many of those (Item 4d) facilities were used to dry the 2005 corn crop in Item 4e. Sum the total capacity of all the facilities, in bushels, and record that sum in Item 4f.

If bins were used (Item 4d=1) record only the number of bins in Item 4e that were used to dry the grain by applying heat. Do not count bins that were used only for grain aeration and storage. If the method of batch and continuous flow drying was done in bins, record the drying facilities as bins (Item 4d=1). Record batch and continuous flow drying facilities only if these were separate driers outside of bins.

Item 5 – Utilization of the Crop

Item 5 records the utilization of the 2005 harvested crop as of the day of interview. All the harvested crop must be accounted for in items 5a-f. If the crop was placed under a CCC loan, the date the crop was “sold” is either the

- date the crop was forfeited to the CCC, or
- date the loan was repaid and the crop was sold.

Item 5a – Crop Sold at Harvest

Record the amount of the 2005 crop sold at harvest in item 5a.

Item 5b – Crop Sold after Harvest, but Before December 31, 2005

Record the amount of the 2005 crop sold after harvest but before 2006 in item 5b.

Item 5c – Crop Sold after December 31, 2005

Record the amount of the 2005 crop sold in 2006 in item 5b.

Item 5d – Crop fed to Livestock

Record the amount of the 2005 crop NOT sold but fed to livestock in item 5d.

Item 5e – Crop Stored under a CCC loan

Record the amount of the 2005 crop stored under a CCC loan. This crop was placed under a CCC loan, but the loan has NOT been repaid or the crop has NOT been forfeited as of the date of interview.

Item 5f – Crop Stored NOT under a CCC loan

Record the amount of the 2005 crop stored, but not under a CCC loan. Do not record the crop stored if it was already sold. It should be recorded in items a – c. This is the amount of crop that will be sold or fed to livestock at a later date.

Item 6 – Marketing of 2005 Crop

If any of the 2005 crop was forfeited to the CCC or sold, enter a 1 for item 6 and proceed to question 7. If not, then continue to question 11. If there is a response for item 5 a-c, then the crop was marketed.

Item 7 – Average Price Received

In item 7, report the average price received (or to be received if not yet received) per unit (dollars and cents bushel) for the 2005 crop sold. If there is a response in an of items 5a-c, a price should be reported here.

Item 8 – Check-Off Cost for Crop Marketed

If any of the 2005 crop had been sold at the time of the interview, report the check-off cost (in cents per bushel) for the amount of the crop sold. Include both National and State check-off costs.

Item 9, 9a – Commercial Crop Hauling

If any of the 2005 crop had been sold at the time of the interview, report the amount of the crop that was hauled from the farm to market by commercial truckers. If any of the crop was hauled to market by commercial truckers, report in item 9a the hauling cost in cents per bushel for the crop hauled.

Item 10 – Distance Crop Hauled

If any of the 2005 crop had been sold at the time of the interview, report the average one-way distance in miles that the crop was hauled from farm to market. Report the distance regardless of whether this operation hauled the crop or whether commercial truckers hauled the crop.

Item 11, 11a –Crop Stored Off-Farm

Report the total number of bushels of the 2005 crop that were stored off-farm. This includes any of crop stored at an elevator, on another operation, or any place off the surveyed operation. Include any of the crop that was stored off-farm but sold prior to the time of the interview, and any of the crop still in off-farm storage. Report the average monthly storage charge paid, in cents per bushel, for the crop stored off-farm in item 11a.

Item 12 – Marketing Tools Used for Crop

If a marketing tool was used, indicate the net gain or loss that was associated with using that marketing tool for the 2005 crop. Indicate a loss with a negative sign (-).

Put option purchase: A purchase of the right, but not the obligation, to sell a commodity at a particular price (the strike price) on or before the expiration date of the contract.

Future hedge: A futures contract is a legally binding agreement between two parties to buy or sell a predetermined amount of a commodity during a specified month (the delivery month) at a price (the future price) which is determined at the time the contract is established. A hedge is the buying or selling of a futures contract for protection against the possibility of a price change in the commodity that the farmer is planning to buy or sell.

Hedge-to-arrive (HTA) contract: The price received under a hedge-to-arrive is the futures price plus the basis (difference between the cash and futures price). The contract establishes part of the forward delivery price (the futures price), but the basis is determined at delivery.

Item 13 – Identity-preserved corn types
V2 Only

With specific markets existing for identity-preserved corn, farmers are being required to alter production practices in order to receive the premiums offered (or to avoid the discounts charged) by these markets. However, little is known about the extent to which producers are taking steps to identity-preserve corn, what steps are taken, what these steps cost, and what returns accrue to these producers. These data would help to estimate how much corn is produced with methods to preserve its identity, what identity is being preserved, and what the costs and returns are to producing identity-preserved corn.

When completing this section, please note that all questions refer to the **2005 corn crop**, not the corn marketed in 2005 that was from the previous years crop. The 2005 corn crop was that planted in the spring of 2005 and harvested in the fall of 2005.

Column 1 – Identity-preserved corn types

Identity-preserved corn types include corn varieties with specific traits or characteristics that add value to the corn, and are produced, handled, and marketed in such a way as to preserve the purity of the unique traits or characteristics of the corn. The following are definitions of various identity-preserved types of corn:

- **Corn marketed as non-biotech** is any corn that has not undergone gene modification through the use of biotechnology, and that is delivered to a market that requires that the corn does not include genetically modified material. Technically, most corn currently planted in the U.S. is non-biotech corn. However, only a small portion of that corn is produced using methods to preserve its purity and marketed through channels that pay a premium for non-biotech corn.
- **High oil** corn is the most common type of Nutritionally Enhanced Corn. It typically has an oil content of 6% or higher on a dry weight basis, compared to yellow dent corn which has an oil content approximately 4%. High oil corn is primarily used as an ingredient in animal feed, and may also be used by some corn processors in their wet mills. In feeding applications, the higher oil content in the kernel (oil is contained in the germ of the kernel) increases the metabolizable energy value of the corn. Depending on the energy requirements of the animal, the producer may be able to reduce other energy sources in the ration, especially feed fat. Yields on high oil corn are generally competitive with standard yellow dent hybrids.
- **Hard endosperm or food grade** corn is a yellow or white corn with high amounts of vitreous endosperm relative to the amount of floury endosperm, with the pericarp nearly fully intact, and easily removed. Higher yield of large grits in dry milling. This type of corn is used in alkaline cooking processes for making masa, tortilla chips, and snack foods.
- **White corn** is identified by its white kernel color which produces a whiter starch. Kernel hardness is typically high in white corn, which makes it especially desirable for dry milling and alkaline processing (food use). Used primarily for human consumption in cereals, corn based snacks, and Mexican style foods. A small amount of white corn is wet milled to produce specialty products with very bright whiteness. This product type also has limited wet milling food grade starch and paper uses.
- The majority of **waxy corn** is wet milled to produce specialized starch products for both food and industrial uses. The clarity and texture of the waxy corn starch make it a desirable product for processors, especially for thickeners and stabilizers. Starch yields for waxy corn are typically 5 to 9% lower than regular yellow dent corn. A small portion of waxy corn production is used for feed uses, primarily silage for dairy cattle. Waxy corn yields are typically 95-97% of standard yellow dent varieties.

- **Nutritionally enhanced corn** refers to a group of new hybrids as well as some older hybrids that primarily have applications in animal feed. These products have elevated protein levels to include more of the essential amino acids. Since this product category is broadly defined, it is difficult to come up with a set of parameters, such as a given protein content, that describes all the corn products in this category. Some have higher protein levels while others have higher oil or specific amino acid levels. Instead, nutritionally enhanced corn is better described as corn with modified feeding qualities developed for specific feed uses. While primarily a livestock feed, it also has some food applications. High-oil corn is the most common type of nutritionally enhanced corn. **Report high-oil corn in item b.**
- **High amylose** corn is also known as amylo maize, with amylose content greater than 50%. Three types of high amylose corn produced commercially are Class V (40-60% amylose), Class VII (60-80% amylose), and Class IX (90% amylose). Starch characteristics make processing difficult. Grown exclusively for wet milling. The starch from this type of corn is used in textiles, gum candies, biodegradable packaging materials, and adhesives for manufacturing corrugated cardboard. There is also a potential for use of this product type in production of other biodegradable plastic products.
- **High lysine** corn product is also known as opaque-2 corn. It is high in lysine, an essential amino acid, and has a soft chalky endosperm, although new hybrids are harder. Quality Protein Maize (QPM) is a hard endosperm corn with high lysine. High lysine corn is a source of high quality protein in the diets of non-ruminants, and can improve the nutrition of human populations with diets high in corn. It is grown to a limited extent as a feed for poultry, swine, dairy cattle, and other livestock production needs.
- **Seed corn** is corn grown to be used as seed in the following year's crop. Seed corn is typically grown under production contracts with seed corn companies. Yields of seed corn are typically much lower than for standard yellow dent varieties.
- **Organic corn** is a specialty product grown without pesticides or chemical fertilizers, and the grain is not treated with pesticides in storage. Organic corn is marketed as such, and is typically grown for human consumption.

- Please include other specialty types of corn that do not fit into any of the categories in items a through j and be sure to specify the variety in the space provided.

Column 2 – Acres harvested

Report the total acres harvested of each identity-preserved corn type.

Column 3 – Yield

Report the yield in bushels per harvested acre for each identity-preserved corn type.

Column 4 – Price received or production contract fee

Report the corn price per bushel received for each identity-preserved corn type. If the corn was grown under a production contract, report the per-bushel production contract fee received.

Column 5 – Produced/sold under

Report whether the corn was produced under a production contract, sold under a marketing contract, or neither produced nor sold under a contract. The definitions of production and marketing contracts can be found in the instructions for completing section D.

Column 6 – Premium actually received

Report the premium above #2 yellow corn in cents per bushel received for the identity-preserved corn. The premium actually received could be lower than that specified in the contract if certain quality traits do not meet minimum requirements or minimum purity levels are not met.

Column 7 – Premium specified in contract

If the corn was produced under a production or marketing contract, report the premium in cents per bushel that was specified in the contract. The premium specified in the contract may or may not equal that actually received.

Item 14, 14a – Purity of non-biotech corn
V2 Only

If corn was marketed as non-biotech, report the level of purity in terms of percent of non-biotech material that was required of the corn in Item 14. In Item 14a, indicate whether or not the corn met this standard of purity.

ENUMERATOR NOTE:

In reporting for items 15, 16, 17, and 18, first identify the type of identity-preserved corn that was harvested on the most acres. Complete items 15, 16, 17, and 18 for this type of corn.

Item 15 – Production practices on identity-preserved corn
V2 Only

For the type of identity-preserved corn that was harvested on the most acres, report whether or not each of the production practices was used.

In Item 15h report the practice as used if the corn was tested for purity regarding any quality characteristic, such as biotech material or oil content.

In Item 15i report the practice as used if the corn was hauled directly to the buyer or to any specific delivery location or handling facility as directed by the buyer.

Item 16 – Labor required for identity-preserved corn
V2 Only

For the type of identity-preserved corn that was harvested on the most acres, report the number of additional hours of labor that were used to preserve the corn identity. Include hours for cleaning equipment, keeping records, locating buyers, or other production practices that were reported in Item 15. Include hours provided by you and any other paid or unpaid workers. Exclude hours provided by contract labor.

Item 17a – Production costs for identity-preserved corn
V2 Only

For the type of identity-preserved corn that was harvested on the most acres, report the additional production costs per acre for seed and technology fees that was paid for the identity-preserved corn above that paid for generic corn. For example, if the identity-preserved seed corn cost \$35 per acre and generic seed corn cost \$28 per acre, the additional

cost for the identity-preserved seed corn would be \$7 per acre. Likewise, if a \$5 per acre technology fee was charged on identity-preserved corn and no technology fee was charged on generic corn, the additional cost for the identity preserved corn would be \$5 per acre.

**Item 17b – Production costs for identity-preserved corn
V2 Only**

For the type of identity-preserved corn that was harvested on the most acres, report the additional production costs per acre for items **other than** seed and technology fees that was paid for the identity-preserved corn above that paid for generic corn. Include costs for fertilizer, chemicals, custom operations, machine operations, irrigation, and contract labor. Exclude costs for any labor reported in Item 16. For example, if fertilizer cost \$40 per acre on the identity-preserved corn and \$30 per acre on the generic corn, the additional cost for the identity-preserved seed corn would be \$10 per acre.

**Item 18a-e – Segregation costs for identity-preserved corn
V2 Only**

For the type of identity-preserved corn that was harvested on the most acres, report the additional segregation costs per bushel for each item that was paid for the identity-preserved corn above that paid for generic corn. For example, if an additional 2 cents per bushel was paid for transportation and marketing and 3 cents per bushel was paid for testing the identity preserved corn above that for generic corn, report 2 cents in Item 18c and 3 cents in Item 18d.

Dairy Production Practices (Sections N-X)

Sections N-X are included only in the Dairy questionnaire (Version 4) and relate to production practices and costs of the dairy enterprise.

What are these sections for? How is the information used?

Cost of production surveys are conducted for selected commodities on a rotating basis (every 3-8 years) to obtain data on production practices and the amount and costs of inputs used. The last Dairy Cost of Production survey was conducted for 2000. Since then, there has not only been change in overall economic conditions, but changes in dairy legislation that will affect farmers' decisions with regard to how they will allocate resources both within the farm unit and among farm and other competing interests. Data collected on the 2005 ARMS will be used to describe important financial, structural, and environmental aspects of dairy production. In addition, the data will allow USDA to satisfy the ongoing congressional mandate of providing cost of production estimates for dairy enterprises, and the recent (2002) congressional authorization for segregated data on organic agricultural production

In addition to the ongoing Federal Milk Marketing Order, the 2002 Farm Act established a national Dairy Market Loss Payments (DMLP) Program to provide a price safety net for dairy producers. Under this program, a monthly direct payment is made to dairy farm operators if the monthly Class I price in Boston (Federal Order 1) is less than \$16.94 per cwt. Payments are made on up to 2.4 million pounds of milk per year per operation. The DMLP was designed to stabilize and generally enhance producer revenue and it will tend to increase production. However, increased production incentives will only be for those producers selling less than the 2.4-million-pound limit, including the smallest operations that account for less than one-third of the milk supply. Since the program is unique in that it is targeted at the smallest operations, there is much interest in how it has impacted farm structure. Information collected in the 2005 ARMS Dairy questionnaire will be used to examine how this program has impacted the structure and financial position of dairy farm operations in the U.S.

Organic milk production has been one of the most rapidly growing segments of organic agriculture. As part of the sampling in the 2005 ARMS, an organic dairy stratum was developed and a sample of organic

operations was drawn in addition to conventional dairies. Data collected from the organic dairies will be compared to that from conventional dairies in order to examine the differences in production practices and the costs and returns associated with each production system. The data should provide insight into the profit potential offered by organic systems for U.S. milk producers.

Section N - Dairy Screening, Inventory and Milk Production

Item 1 – Peak 2005 Milk Cow Inventory

Record the largest number of dairy cows milked on this operation, **regardless of ownership**, at any time in 2005.

Enumerator Action: We are only interested in operations that had 10 or more milk cows on the operation at any time in 2005. Therefore, if the answer to item 1 is less than 10, go to the Conclusion on the back page. If the answer to item 1 was 10 or more, continue with item 2.

Operations were selected for the Phase III Dairy survey based on the data reported in the ARMS Phase I Survey (ARMS I). Operations that reported 10 or more milk cows (and those that indicated they raised milk cows but the number was unknown) on ARMS I were eligible for the Phase III Dairy survey. Therefore, if less than 10 milk cows are reported in item 1, indicate in notes why there is a difference from the ARMS I which indicated they had 10 or more milk cows.

Item 2 – Months in Dairy Business

Record the number of months during 2005 this operation was in the dairy business.

Item 3 – Years Producing Milk

The experience level of the operation is a factor which can help explain why one operation is more efficient than another. These data will also be used to identify operations that have recently entered the dairy industry and study how these new entrants differ from operations that have been in business several years.

Record the number of years this operation has been producing milk.

Item 4 – Peak Milk Cow Inventory 2000-2004

Record the largest number of dairy cows milked on this operation, **regardless of ownership**, at any time in each year from 2000-2004 (parts a-

e). These data will be used to study how the structure of dairy operations changed over the last 5 years and how participation in the Dairy Market Loss Program may have impacted this structure.

Item 5 – Years Expecting to be Producing Milk

Information from this item will be used to identify operations soon to be exiting the dairy industry and study how these operations differ from those planning to remain in business for several years. These data, along with information about industry entrants (item 3), will provide insight about the future structure of the dairy industry.

Enter the code which represents how long this operation expects to be producing milk.

Item 6 – Producing Certified Organic Milk

Organic farming systems rely on ecologically based practices, such as biological pest management; virtually exclude the use of synthetic chemicals in crop production (including livestock feed production); and prohibit the use of antibiotics and hormones in livestock production. Organic livestock production systems attempt to accommodate an animal's natural nutritional and behavioral requirements. USDA livestock standards incorporate requirements for living conditions, pasture and access to the outdoors, feed ration, and health care practices suitable to each species.

Ask if the dairy operation was classified as “certified” organic. To be a certified organic operation it must have been certified by a USDA accredited state or private agency. USDA regulations require that all organic growers be certified by a State or private agency accredited under the uniform standards developed by USDA, unless they sell less than \$5,000 a year in organic products. All organic certifiers are required to be accredited under USDA's national organic standards.

The following State certifiers are accredited by USDA: California-Marin County Agriculture; California-Monterey County Certified Organic; Colorado Department of Agriculture; Idaho State Department of Agriculture; Iowa Department of Agriculture; Maryland Department of Agriculture; Mississippi Department of Agriculture and Commerce; Missouri Department of Agriculture; Montana Department of Agriculture; Nevada State Department of Agriculture; New Hampshire Department of Agriculture, Markets, & Food; New Mexico Organic Commodity Commission; Oklahoma Department of Agriculture; Rhode Island

Department of Environmental Management; South Carolina-Fertilizer and Seed Certification Services; Texas Department of Agriculture; Utah Department of Agriculture; Virginia Department of Agriculture; Washington State Department of Agriculture

The following private certifiers are accredited by USDA: American Food Safety Institute; California Crop Improvement Association; California Organic Farmers Association; Certified Organic, Inc.; Georgia Crop Improvement Association, Inc.; Global Culture; Global Organic Alliance; Guaranteed Organic; Hawaii Organic Farmers Association; Indiana Certified Organic; International Certification Services; Integrity Certified International; Maharishi Vedic Organic Agriculture Institute; Massachusetts-Baystate Organic Certifiers; Midwest Organic Services Association; Minnesota Crop Improvement Association; MOFGA Certification Services; Natural Food Certifiers; NOFA-New Jersey; NOFA-New York; North Carolina Crop Improvement Association; Nutriclean (Formerly Scientific Certification Systems); OneCert; Organic Crop Improvement Association; Organic Forum International; Organic Growers of Michigan; Organic Certifiers; Organic National and International Certifiers; Quality Assurance International; Quality Certification Services (Formerly FOG); Ohio Ecological Food and Farm Administration; Oregon Tilth; Pennsylvania Certified Organic; Stellar Certification Services; Vermont Organic Farmers

If the operation was certified organic, ask items 6a-6e.

Item 6a – Years Producing and Selling Organic Milk

Record the total number of years that the operation has been both producing and selling **certified** organic milk. Include years producing under federal certification and years producing under any other third party certification program.

Item 6b – Years to Become Certified

Record the number of years that it took for this operation to become certified to produce organic milk. Dairy operations must go through a transition period in order to become certified. The intention of this question is to identify the length of the transition period.

Item 6c – Amount Paid for Third Party Certification

Record the dollar amount paid in 2005 for a third party organic certification. Include user fees charged by organic certifiers.

Item 6d – Most Difficult Aspect of Producing Certified Organic Milk

Record the code from the list that best describes what the respondent feels is the most difficult aspect of producing certified organic milk.

Item 6e – Minimum Price to Continue as an Organic Dairy

Record the respondent's best estimate of the minimum milk price needed for this operation to continue as an organic dairy, instead of converting to a conventional dairy. Record the amount in dollars and cents per hundredweight.

Item 7 – Transitioning to Organic Milk Production

Ask if the operation was transitioning to organic milk production during 2005. Dairy operations are required to go through a transition period to become certified as an organic operation. During this time organic inputs are used, but the milk produced cannot be sold as certified organic.

Item 8 – Dairy Cattle Inventory

In this table we get a description of the dairy operation as it existed at the beginning and end of 2005. This lets us see if the operation was expanding or reducing its size, and also gives some idea of the culling and marketing patterns the operation follows.

Item 8a – Milk Cows

Record the total number of cows on hand that were being milked as of the date in column 2 or column 3. **Exclude dry cows.** Cows generally are milked for 305 days and are “dry” (not giving milk) for the remainder of the year.

Item 8b – Dry Cows

Record the total number of dry cows on hand as of the date in column 2 or column 3.

Item 8c – Breeding Bulls

Record the total number of breeding bulls on hand as of the date in column 2 or column 3. Include all breeding bulls and bull calves weighing 500 pounds or more that were being kept for breeding. Include “marker bulls” that were used to detect heat (estrus) in cows.

Column 2 – Beginning of Year Inventory

For each category listed in column 1, enter the number of head on hand on January 1, 2005. Include milk cows, dry cows and breeding bulls that the selected operation was raising for another operation..

Column 3 – End of Year Inventory

For each category listed in column 1, enter the number of head on hand on December 31, 2005. Include milk cows, dry cows, and breeding bulls that the selected operation was raising for another operation.

Item 9 – Average Age of Cows in Milking Herd

Record the average age (years) of cows in the milking herd during 2005. The average age of cows will give an indication of the herd culling pattern used and how this may vary across different production systems.

Item 10 – Milk Production

Item 10a – Milk Sold

Record the total number of **hundredweights** of milk the operation **produced and sold** during 2005. If milk is reported in pounds, divide the figure by 100 to get hundredweights. If milk is reported in gallons, multiply by 8.56 to get pounds and then divide by 100 to get hundredweight.

This figure may have to be obtained by adding up the total quantities marketed from each of the statements the operation received during the year from the co-op or other business through which the operation marketed its milk.

Item 10b – Milk Used on the Farm

Record the total number of hundredweights of milk **produced and used** on the operation during 2005. Most of this milk is fed to calves, but include milk produced and used for human consumption.

Item 10c – Milk Wasted, Dumped or Lost to Contamination

Record the total number of **hundredweights** of milk produced on the operation that was wasted (lost when the milk lines are cleaned, etc.) or lost due to contamination during 2005.

Item 10d – Enumerator Action - Total Milk Produced

Record the sum of Items 10a + 10b + 10c. Check with the operator for reasonableness.

Item 11 – Certified Organic Milk Sold

Record the total number of hundredweights of milk produced and sold during 2005 that was sold as certified organic milk.

Item 12 – Average Marketing Charges Paid

Record the average amount in dollars per hundredweight (cwt) that this operation paid in marketing charges for milk sold in 2005. Include milk check-off and involuntary co-op dues. Exclude milk hauling and cooperatives working together (CWT) payment. Also, exclude user fees charged by organic certifiers.

Section O - Purchases and Death Loss

This section collects information on:

- Purchases
- Heifers Kept for Breeding
- Death Loss

Item 1 – Purchases During 2005

The table in this item collects information for purchases of dairy animals by the operation during 2005.

Item 1a – Milk Cows

Include:

- (1) All cows that have had at least one calf, regardless of breed, kept primarily to produce milk for human consumption, either for home use or for sale.
- (2) Milk cows, both dry and those being milked.
- (3) Heifers being kept for milk that have calved at least once.

Exclude:

- (1) Cows kept primarily to raise or nurse calves. These are considered beef cows.
- (2) Heifers that have not calved.

Item 1b – Replacement Heifers Weighing 500 Pounds or More

Include heifers of all breeds kept primarily to produce milk for human consumption, either for home use or for sale. If they are already bred but have not calved, they should be included in this category. **Exclude any that will only be kept as nurse cows to raise calves.**

Item 1c – Breeding Bulls Weighing 500 Pounds or More

Include all bulls and young males for breeding over 500 pounds purchased or placed on the operation in 2005.

Item 1d – Replacement Heifers Under 500 Pounds

Include all dairy heifers under 500 pounds that were purchased or placed on this operation in 2005 **regardless of intended use**.

Item 1e – Replacement Bulls Under 500 Pounds

Include all dairy bulls under 500 pounds that were purchased or placed on this operation in 2005 **regardless of intended use**.

Column 2 – Number of Head Purchased

For each of the four categories of dairy animals listed in column 1, record the total number of head purchased by the operation during 2005.

Column 3 – Amount Spent for Purchases

Record the total dollar amount paid by the operation to purchase the dairy animals recorded in column 2. Include commissions, and other such charges paid as part of the purchases. Do not include transportation costs.

Item 2 – Heifers Kept for Breeding

Enter the number of **heifers born on this operation in 2005 which were kept for breeding**. Include those which have been sold or culled but were originally intended to be used for breeding. Include those that were raised on other operations and then returned to this operation.

Item 3 – Death Loss

Item 3a – Death Loss of Milk Cows

Record the total number of milk cows that died on this operation during 2005. If the respondent cannot answer this question directly, it can be calculated by multiplying the milk cows on the operation times an average death rate for milk cows.

The normal death rate for milk cows is between 1 and 2 percent of the total. A death rate of more than 2 percent or no deaths at all should be explained in notes

Item 3b – Death Loss of Replacement Heifers Weighing Over 500 Pounds

Record the total number of replacement heifers weighing 500 pounds or more that died on this operation in 2005. If the respondent cannot answer this question directly, it can be calculated by multiplying the replacement heifers on the operation times an average death rate.

The normal death rate for replacement heifers is between 1 and 2 percent of the total. A death rate of more than 2 percent or no deaths at all should be explained in notes.

Item 3c – Death Loss of Breeding Bulls

Record the total number of breeding bulls weighing 500 pounds or more that died on this operation in 2005.

Item 3d – Death Loss of Replacement Heifers Weighing Under 500 Pounds

Record the total number of replacement heifers weighing under 500 pounds that died on this operation in 2005. If the respondent cannot answer this question directly, it can be calculated. The normal death rate for calves is between 2 and 10 percent of the total per six-month period. A death rate of more than 10 percent or no deaths at all should be explained in notes.

Item 3e – Death Loss of Replacement Bulls Weighing Under 500 Pounds

Record the total number of replacement bulls weighing under 500 pounds that died on this operation in 2005. If the respondent cannot answer this question directly, it can be calculated. The normal death rate for calves is between 2 and 10 percent of the total per six-month period. A death rate of more than 10 percent or no deaths at all should be explained in notes.

Section P - Sales and Other Income

The purpose of this section is to collect information on the marketing and income patterns of the dairy operation.

Item 1 - Sales of Dairy Animals

The data in this table provides information on the operation's marketing patterns of breeding stock, cull stock, breeding animals and calves.

Column 1 - Type of Dairy Animals

Most of the categories in this column have been described previously. Cull cows and bulls are animals no longer used for breeding.

Column 2 - Number Sold

For each category listed in column 1, enter the total number sold from this operation in 2005.

Column 3 - Amount Received for Sales

Enter the total amount received (net of marketing charges) for sales of each category of dairy animal sales reported.

Column 4 - Average Weight

For each category, enter the average weight of the dairy animals sold during 2005.

Item 2 - Marketing Charges

Considering all the operation's sales of dairy animals in 2005, record either the average per head or total dollars paid for all commissions, marketing charges, etc. **Exclude transportation charges.**

Item 3 - Income From Renting or Leasing Dairy Stock

Enter the total amount received in 2005 from renting or leasing dairy cows and/or bulls to other dairy operations.

Item 4 – Income From Renting Space to Other Dairy Operations

Enter the total amount received in 2005 from renting dairy cattle housing, milking facilities, feed storage facilities, etc to other dairy operations.

Item 5 – Income From Co-ops as Patronage Dividends

Enter the total amount of dividends received in 2005 from all dairy Co-ops of which you were a member.

Item 6 – Income From Assessment Rebates, Refunds and Other Sources

Enter the total amount received in 2005. Do not include Milk Income Loss Contract payments of any other dairy market loss assistance. These should have been recorded in Section E.

Item 7 – Capital Retains Withheld by Co-ops

Enter the total amount of profits withheld by all dairy Co-ops, of which you were a member in 2005, for capital replacement and/or improvement (e.g., purchases of new equipment, land, and/or buildings; repairs to older equipment, buildings, etc.).

Section Q - Dairy Feed, Pasture, and Bedding

Feed is the most important and expensive input in dairy production, therefore it is essential we collect complete information about the operation's feed usage and expense.

Item 1 - Screening Question for Purchased Feed

This is a screening question to determine if the operation purchased any feed or feed supplements for the dairy animals on this operation in 2005. Unless the operation grew all of the feed fed to the dairy animals, this question will always be "Yes".

In the unlikely event that the operation did not purchase any feed or supplements, check "No" and skip to item 2.

Column 1 - Type of Feed

Show the respondent the list of Purchased Feed Type Codes in the Respondent Booklet.

Record the name and code for each type of feed or feed supplement the operation fed to its dairy animals in 2005. Exclude feed grown on the operation and fed to the dairy cattle (this is reported in item 2).

Column 2 - Total Amount Fed

For each type of feed or feed supplement listed in column 1, record the total quantity fed to dairy cattle on the operation in 2005. Exclude homegrown feed.

Column 3 - Unit Code

Enter the code for the unit in which the quantity in column 2 was reported.

Column 4 - Frequency Code

For each type of feed listed in column 1, enter the frequency by which the amount of feed in column 2 was fed.

Column 5 – Total Cost of Feed

Record the total cost of each type of feed fed to dairy cattle on this operation in 2005. This total cost is the amount spent for all of 2005, rather than the amount per unit in column 4.

Column 6 – Feed Storage Facility

Show the respondent the Feed Facility Type Codes in the Respondent Booklet.

For each type of feed reported, record the code which represents the type of storage facility that was used.

Item 2 – Homegrown Feed

This item accounts for the harvested feed grain and forage crops grown on this operation that were fed to the dairy cattle on this operation in 2005 (pasture and cropland used for grazing are recorded in question 3).

If no harvested feed was fed to the dairy cattle on this operation, check the appropriate box and go to item 3.

Column 1 – Type of Homegrown Feed

Show the respondent the Homegrown Feed Type Codes in the Respondent Booklet.

Record the name and code for each type of feed grown on this operation and fed to dairy cattle on this operation in 2005. Exclude feed that was purchased.

Column 2 – Total Amount Fed

For each type of feed listed in column 1, record the total quantity fed to dairy cattle on the operation in 2005. Exclude feed purchased.

Column 3 – Unit Code

Enter the code for the unit in which the quantity in column 2 was reported.

Column 4 – Frequency Code

For each type of feed listed in column 1, enter the frequency by which the amount of feed in column 2 was fed.

Column 5 – Feed Storage Facility

Show the respondent the Feed Facility Type Codes in the Respondent Booklet.

For each type of feed reported, record the code which represents the type of storage facility that was used.

Item 3 – Pasture and Grazing

This item accounts for pasture or cropland used to graze dairy cattle in 2005.

If no pasture or cropland was used to graze dairy cattle, check the appropriate box and go to item 5.

Column 2 – Acres Owned

Record the number of acres owned for each column 1 land type that dairy cattle grazed on during 2005.

Column 3 – Acres Irrigated

Record the number of acres irrigated for each column 1 land type that dairy cattle grazed on during 2005.

Column 4 – Acres Rented or Leased

Record the number of acres rented for leased for each column 1 land type that dairy cattle grazed on during 2005.

Column 5 – Dollars Spent to Rent Pasture

If any column 4 acres were reported, record the total dollars spent to rent/lease the column 4 acres.

Item 4 – Grazing Practices

If the operation used any pastures during 2005 ask question 4. If not, go to item 5.

Pasture use and rotational grazing are important strategies used in organic production systems. In a rotational grazing strategy, pastures are divided and fenced into several paddocks, with the size of the paddocks adjusted to herd size, growing conditions, and maintaining pasture at productive levels. Under this system, the number of animals must be adjusted to the available forage and the expected time required for re-growth of the forage

Item 4a – Grazing Frequency

Record the code that best describes the frequency by which milk cows were moved to fresh pastures or paddocks on this operation during 2005.

Item 4b – Years using Grazing Pattern

Record the number of years that the grazing frequency reported in item 4a has been used on this operation.

Item 4c – Months Grazing Cows on Pasture

Record the number of months of each year that milk cows are typically grazed on pasture.

Item 4d – Percentage of Total Forage Ration Obtained from Pasture

Record the percentage range that best describes the amount of the total forage ration that milk cows obtained from pasture **during the grazing months reported in item 4c**. This means, for example, if the milk cows grazed on pastures for 6 months each year and obtained 30 percent of their forage from pasture during these 6 months, record code 2 (25-49%) in item 4d.

Item 5 – Bedding

This item accounts for bedding grown/produced on this operation or was obtained free that was used on this operation in 2005. Exclude any bedding that was purchased in 2005. The cost of purchased bedding should have been reported in items 7 and 7a in Section F.

If no bedding was grown/produced or obtained free and used on this operation, check the appropriate box and go to Section R.

Column 1 - Type of Bedding

Column 2 - Amount Used

For each type of bedding listed in column 1, record the total quantity used on this operation in 2005 for the dairy cattle.

Column 3 - Unit Code

Enter the code for the unit in which the quantity in column 2 was reported.

Column 4 - Frequency Code

For each type of bedding listed in column 1, enter the frequency by which the amount of bedding in column 2 was used.

Column 5 - Market Value of Bedding

Record the operator's best estimate of the market value in 2005 of each type of bedding used for dairy cattle. Record the market value in total dollars, rather than the amount per unit in column 4.

Section R – Dairy Housing

Housing on many dairy operations is a major capital expenditure. Information about the housing facilities will help to explain the cost and expenditure profile of the operation and provide insight into the efficiency of various types of operations.

The table in this section will only be blank in the extremely rare situation in which all dairy cattle remained outside for 24 hours a day without shelter.

Item 1 – Dairy Housing Facilities

Information will be collected on facilities used for gestating cows and heifers, for calving, as a nursery, and for feeding dairy cattle (column 1). Exclude milking facilities (this is to be reported in Section S).

If dairy cattle are kept in pastures or dirt/dry lots, record any structures in the lots used for dairy shelters.

Column 1 – Types of Facilities

Show the respondent the Dairy Facility Type Codes in the Respondent Booklet.

Enter the code for each type of facility used by the operation. More than one facility of the same type can be included on a single line if it has the same frame type, floor type, and manure handling system (columns 3, 4, and 5 are the same).

Column 2 – Number of Facilities

Record the number of facilities of this type on this operation. This column allows for more than one type of the same facility to be recorded on one line.

Column 3 – Frame Type

Show the respondent the Frame Type Codes in the Respondent Booklet.

Enter the code which represents the type of frame of the facility listed in column 1. Be sure to record the type of frame, and not the type of siding.

Column 4 – Floor Type

Show the respondent the Floor Type Codes in the Respondent Booklet.

Enter the code which represents the type of floor of the facility indicated in column 1.

Column 5 – Manure Handling Method

Show the respondent the Manure Handling Codes in the Respondent Booklet.

Enter the code which represents the type of manure handling method that was used in this facility. If the only method for removing manure from the facility was manual labor, use code “36 – manual”.

Column 6 – Capacity

For each of the facilities listed in column 1, enter the total number of head that these facilities can house. If the operation has more than one facility of the same type (column 2 is greater than 1), enter the combined capacity of all the facilities.

Column 7 – Average Age of Facility

Enter the number of years since the facility(ies) listed in column 1 was last remodeled or renovated. If the facility has not been remodeled or renovated, record the current age (in years) of the structure. If the facility is less than one year old, enter “1”.

Section S - Milking Facilities and Practices

Milking facilities on many dairy operations are also a major capital expenditure. Information about the milking facilities will help to explain the cost and expenditure profile of the operation and provide insight into the efficiency of various types of operations.

Item 1 - Dairy Milking Facilities

Information will be collected on facilities used for milking. Exclude housing facilities (this was reported in Section R).

Column 1 - Types of Facilities

Show the respondent the Milking Facility Type Codes in the Respondent Booklet.

Enter the code for each type of facility used by the operation. More than one facility of the same type can be included on a single line if it has the same frame type, floor type, and manure handling system (columns 3, 4, and 5 are the same).

Column 2 - Number of Facilities

Record the number of facilities of this type on this operation. This column allows for more than one type of the same facility to be recorded on one line.

Column 3 - Frame Type

Show the respondent the Frame Type Codes in the Respondent Booklet.

Enter the code which represents the type of frame of the facility listed in column 1. Be sure to record the type of frame, and not the type of siding.

Column 4 - Floor Type

Show the respondent the Floor Type Codes in the Respondent Booklet.

Enter the code which represents the type of floor of the facility indicated in column 1.

Column 5 – Manure Handling Method

Show the respondent the Manure Handling Codes in the Respondent Booklet.

Enter the code which represents the type of manure handling method that was used in this facility. If the only method for removing manure from the facility was manual labor, use code “36 – manual”.

Column 6 – Number of Stalls

For each of the facilities listed in column 1, enter the total number of stalls in all of these facilities. If the operation has more than one facility of the same type (column 2 is greater than 1), enter the combined number of stalls of all the facilities.

Column 7 – Number of Milking Units

For each of the facilities listed in column 1, enter the total number of milking units in all of these facilities. If the operation has more than one facility of the same type (column 2 is greater than 1), enter the combined number of milking units of all the facilities.

Column 8 – Average Age of Facility

Enter the number of years since the facility(ies) listed in column 1 was last remodeled or renovated. If the facility has not been remodeled or renovated, record the current age (in years) of the structure. If the facility is less than one year old, enter “1”.

Item 2 – Times Per Day Herd Milked

For 2005, enter the total number of times the herd was milked in a 24-hour period. The range for this number is most often between 1 and 3.

Item 3 – Hours Milking System in Operation

For 2005, enter the total hours the milking system was in use during a 24-hour period. The range for this number is between 1 and 24.

Item 4 – Number of Bulk Tanks and/or Milk Silos

For 2005, enter the total number of bulk tanks and/or milk silos used to store milk.

Item 4a – Capacity of Bulk Tanks

Record the total combined capacity, in gallons, of the bulk tanks and/or milk silos that were reported in item 4.

Item 5 – Automatic Takeoffs

For 2005, enter a 1 if the milking machine automatically removed the teat cups once the milk flow stops.

Item 6 – Holding Pen with Udder Washer

For 2005, enter a 1 if the operation used automatic udder washing devices that spray a sanitizing solution to clean the udder before milking.

Item 7 – Computerized Milking System

For 2005, enter a 1 if the operation used a computerized milking system that permits electronic data collection (e.g., pounds of milk daily, percent milkfat, percent protein, somatic cell count, weight, etc.).

Item 8 – bST Injections

Enter the number of cows injected one or more times with bST (the hormone bovine somatotropin) in 2005.

Item 8a – Years using bST

If bST was used on the operation in 2005, record the total number of years during which this operation has used bST (including 2005).

Item 8b – Any use of bST and number of years

If bST was not used on the operation in 2005, ask if this operation had ever used bST. If the operation had used bST at some time previously, record the total number of years that the operation had used

bST. The intent of this item is to find out which operations had once used bST but have since discontinued use. bST has been characterized by significant “disadoption” since its introduction.

Item 9 – Acres Used For Dairy Operation

Enter the total number of acres of land used for the dairy enterprise during 2005. Include acres used for pasture, corrals, building sites, manure storage, etc. Exclude acres used for crop production to feed and bed the dairy cattle and acres to which dairy manure was applied.

Section T - Vehicles, Trucks and Tractors

The purpose of this section is to account for all trucks, tractors, and other motor vehicles used for dairy production on this operation in 2005.

Include all trucks, tractors, and other motor vehicles owned, rented, leased, or borrowed and used for activities associated with dairy production such as feed handling, manure handling and spreading, and hauling dairy cattle.

Exclude anything provided by custom operators and any vehicles, trucks, and tractors used to grow feed on this operation even if the feed was fed to the dairy animals.

VEHICLE USE

Item 2 – Vehicles used for Dairy Production

Report the number of pick-ups, cars, and sport utility vehicles that were used in dairy production for any purpose in 2005. We will determine the amount that these vehicles were used for dairy production in items 2a-c.

Item 2a – Total Miles Vehicles Driven

Report the total miles that all the vehicles listed in item 1 were driven in 2005. Include miles driven for farm and non-farm use.

Item 2b – Percentage Driven for Farm Use

Report the percentage of the total miles that all the vehicles were driven (item 1a) that were for farm use.

Item 2c – Percentage Driven for Dairy Production

Report the percentage of the total miles that all vehicles were driven for farm use (item 1b) that were for dairy production.

TRUCK USE

Column 1 – Truck Type

Collect the data on truck use for dairy production in 2005 for each type of truck listed. Include trucks used for hauling cattle on or off this operation,

hauling feed to this operation, and any other use associated with dairy production.

Column 2 – Number of Trucks used for Dairy Production

Report the number of trucks of each type listed in column 1 that were used for dairy production in 2005.

Column 3 – Miles Driven for Dairy Production

Report the total miles that all the trucks of each type listed in column 2 were driven for dairy production on this operation in 2005.

TRACTOR USE

Column 1 – Tractor Type

Collect the data on tractor use for dairy production in 2005 for each category of tractor horsepower listed. Include tractors used for feed processing, manure handling, hauling cattle, and any other use associated with dairy production. Exclude tractors used only to produce dairy feed.

Column 2 – Number of Tractors used for Dairy Production

Report the number of tractors in each horsepower category listed in column 1 that were used for dairy production in 2005.

Column 3 – Percentage of Farm Use for Dairy Production

Report the percentage of total farm use that all the tractors in each horsepower category listed in column 2 were used for dairy production on this operation in 2005. Exclude use of the tractor to produce dairy feed, such as that for field operations.

Section U - Machinery and Equipment

The purpose of this section is to get a listing of the machinery and equipment this operation used on the dairy enterprise in 2005. Machinery and equipment are capital items in which most operations have fairly large investments so it is important to allocate the appropriate portion to the production of dairy cattle and milk.

Item 1 - Machinery and Equipment Used

This table lists all the machinery equipment used on the dairy operation in 2005. Do not list machinery and equipment unless they were used on the dairy enterprise.

Columns 1 & 2 - Machinery and Equipment Type and Code

Show the respondent the list of Feed Handling Equipment Codes, Manure Handling Equipment Codes, and Other Machines and Equipment Codes in the Respondent Booklet.

Record the name (column 1) and code (column 2) of each piece of machinery or equipment used on the operation for the dairy enterprise. This includes feed handling equipment, manure handling and spreading equipment, scales, portable loading ramps, sprayers, trailers, generators, alarm systems, pressure washing equipment, etc.

If the operation had more than one of the same machine or piece of equipment, they can be listed on the same line by coding column 3 with the number of the same items.

Exclude machinery and equipment used to grow crops on the operation even if the crops were fed to the dairy animals.

Column 3 - Number of Column 1 Items

Enter the number of machines or pieces of equipment of the same type recorded in column 1.

Column 4 - Percentage for Dairy Production

Record the percentage of total farm use of each item reported in column 1 that was for dairy production. For most of these items the percentage will

equal 100, unless there is another livestock operation on the farm that shares the use of these items.

Section V - Dairy Manure

The primary purpose of this section is to get information on the methods and facilities used to handle or dispose of dairy manure. Dairy manure may be considered both a waste product and a fertilizer by-product of dairy production. As a fertilizer material, it can provide income to the operation and can also reduce the operation's fertilizer expenditure. As a waste material, the cost of handling it is an expense to the operation. Also, manure handling procedures and facilities are of interest because of the potential (real or perceived) environmental impact they may have on water resources and rural communities.

Item 1 - Type of Manure Handling System

Enter the code that best describes the type of manure handling system that was used to handle the majority of the dairy manure on this operation in 2005.

Item 1a - Manure Handling in Milking Area

Enter code '1' if the manure produced in the milking area was handled by a separate manure handling system..

Item 2 - Manure Storage Facilities

In this table information will be collected about the type of dairy manure storage facilities used, the construction of those facilities, and the frequency with which manure is removed.

This item begins with a screening question to determine if the operation has manure storage facilities. The overwhelming majority of dairy operations will have these facilities. The only time you may encounter an operation without manure storage facilities is a relatively small operation with the dairy cattle primarily on pastures or dirt lots. In the unlikely event that the operation does not have manure storage facilities, check "No" and go to Item 3.

Column 1 - Type of Manure Storage Facilities

Show the respondent the list of Manure Storage Type codes in the respondent booklet.

Enter the name and the appropriate code of each manure storage facility this operation has for the dairy. If there is more than one of the same type of facility, they can be recorded on the same line by coding column 2 with the number used.

Column 2 – Number of Facilities

Enter the number of manure storage facilities of this type recorded in column 1.

Column 3 Capacity

Enter the total storage capacity of the item listed in column 1. If the operation has more than one of the same type of facilities accounted for on the same line (column 2 is greater than 1), record the total capacity of all structures.

If the respondent is unable to provide the storage capacity of lagoons, ask for the acres covered with lagoons and the average lagoon depth. The total acre feet of lagoons can be computed as the total acres covered with lagoons times the average lagoon depth.

Column 4 – Unit

Record the unit code of the capacity reported in column 3.

Column 5 – Construction Material of Facility

Show the respondent the list of Manure Storage Construction Material Codes in the respondent booklet.

Record the code which represents the type of material the facility indicated in column 1 is made of. If lagoons are used, record the material code of the lagoon lining.

Column 6 – Average Age of Facility

Record the average age (in years) of the facility identified in column 1. If more than one facility of the same type is reported on the same line (column 2 is greater than 1), record the average age of all the facilities.

Column 7 – Frequency of Manure Removal

Record the average frequency in which the operation removes manure from these facilities. Use the codes provided.

Item 3 – Manure Storage in Housing and Holding Facilities

Enter a code “1” if any manure was stored or stacked in the dairy housing and/or holding facilities.

Item 3a – Frequency of Manure Removal

Record the frequency in which dairy manure was removed from the housing and/or holding facilities using the codes provided.

Item 4 – Acres of Land Dairy Manure Applied To

Record the number of cropland and pastureland acres, **on this operation**, that dairy manure was applied to during 2005. If manure was applied to the same acres more than once during the year, count these acres only once. Exclude acres that only received manure from grazing cattle.

Item 5 – Manure Tested for Nitrogen

If the operation tested the dairy manure for nitrogen record a “1.”

Item 6 – Manure Tested for Phosphorus

If the operation tested the dairy manure for phosphorus record a “1.”

Item 7 – Disposition of Dairy Manure

The item records what happened to the dairy manure that was produced on the operation during 2005. The total of the percentages reported in items 7a-7f must sum to 100.

Item 7a – Manure Applied in Solid Form

Record the percentage of the all manure produced on this operation in 2005 that was applied to fields on this operation in solid form.

Item 7b – Manure Applied in Liquid Form

Record the percentage of the all manure produced on this operation in 2005 that was applied to fields on this operation in liquid form. This is liquid from lagoons.

Item 7c – Manure Applied in Slurry Form

Record the percentage of the all manure produced on this operation in 2005 that was applied to fields on this operation in slurry form. This is slurry from pits or slurry tanks.

Item 7d – Manure Not Applied by Mechanical Means

Record the percentage of the all manure produced on this operation in 2005 that was not applied to fields on this operation by mechanical means. This includes manure that was applied manually and manure that was simply left in pastures where it was deposited by the cows.

Item 7e – Manure Removed from the Operation

Record the percentage of the all manure produced on this operation in 2005 that was hauled off of this operation to be used on other operations. This includes manure that was sold, hauled off for a fee, or given away.

Item 7f – Manure Stored for Entire Year

Record the percentage of the all manure produced on this operation in 2005 that was remained in storage for the entire year.

Item 8 – Solid Manure Incorporation

If any dairy manure was handled in solid form (item 7a is greater than zero) ask this question

Record the percentage of the solid dairy manure applied on this operation that was incorporated within 24 hours of application.

Item 9 – Slurry Manure Incorporation

If any dairy manure was handled in slurry form (item 7c is greater than zero) ask this question

Record the percentage of the slurry dairy manure applied on this operation that was a-injected at application, b-surface applied and not incorporated within 24 hours, c-surface applied and incorporated within 24 hours. The total of part a, b, and c must sum to 100.

Item 10 – Manure Removed From This Operation

There are basically two ways dairy manure can be disposed of – either by using it on the operation or by removing it from the operation. The last few questions have focused on manure usage on the operation. This item collects information about manure that was removed from this operation. Items 10a-10c should account for all the dairy manure removed from the operation in 2005 and must sum to 100 percent.

Item 10a – Manure Sold

Of the total dairy manure removed from this operation, record the percentage that was sold.

Item 10a(i) – Amount Received for Dairy Manure Sales

Record the dollar amount this operation **received** for selling dairy manure in 2005.

Item 10b – Manure Hauled Off for a Fee

Of the total dairy manure removed from this operation record the percentage that was hauled off the operation for a fee. Exclude manure that was given away free of charge.

Item 10b(i) – Amount Paid to Haul Dairy Manure

Record the dollar amount this operation **paid** to have dairy manure removed from this operation in 2005.

Item 10c – Manure Given Away

Of the total dairy manure removed from this operation record the percentage that was given away free of charge.

Item 11 – Arranging for Manure Removal

Enter a code “1” if a broker or other third party arranged for the manure to be removed from this operation. Only ask this question if manure was removed from this operation in 2005.

Item 12 – Controlling Manure Odor

If either manure additives or filters for barn ventilation were used to control dairy manure odor report a code “1” in the appropriate cell.

Item 13 – Controlling Manure Dust

If any practices were used to control dairy manure dust code a “1” in the cell provided.

Item 14 – Feed Additives for Manure Nutrient Content

If any feed additives or ration modifications were made with the purpose to control the dairy manure nutrient content code a “1” in the cell provided.

Item 15 – Certified Nutrient Management Plan

Ask if this operation followed a certified nutrient management plan (CNMP) that conforms to agronomic standards. The plan must have been developed by (1) an individual or firm certified by USDA/NRCS (Natural Resource Conservation Service) to develop CNMPs, or (2) directly by USDA/NRCS.

Item 16 – Nutrient as Basis for Nutrient Management Plan

If this operation followed a certified nutrient management plan (item 15), ask on what nutrient the plan was based. Most plans have been based on nitrogen, but there has been growing concern over soil build-up of phosphorus from manure.

Item 17 – De-Watering Technology

Ask if this operation used a de-watering technology to reduce the water content of the manure. This type of technology would be used to reduce the moisture content of manure and separate the organic material from the liquid. It may be used to reduce the weight (and cost) of transporting manure or when producers capture the organic material in the manure for

reuse as bedding or in a compost process.

Item 18 - EQIP Payments Related to Dairy Production

Ask if this operation has ever received EQIP (Environmental Quality Incentive Program) payments related to dairy production at any time. If so, indicate from the list the purposes for which the payments were received.

Section W - Dairy Operation Management

This section collects information about management practices, and farm security and disease prevention practices used on the dairy operation. Information from this section will be used to measure the extent to which dairy producers are using specific practices, and to examine how the use of specific practices is related to milk production costs and returns. Data on farm security and disease prevention will identify the extent to which dairy producers are taking steps to keep their operations secure and disease free.

Escalating concerns about the safety of the milk supply and spread of animal diseases has led to increased emphasis on the extent of farm-level practices and procedures to reduce such risks. Questions in this section are designed to determine the extent of practices used to prevent the intentional or accidental introduction of disease and/or contamination of milk, and to evaluate the management and impacts of Johne's disease. APHIS has instituted a program to assist States and producers monitor and manage Johne's disease, which can cause decreased milk production, weight loss, and diarrhea in dairy animals.

Item 1 - Dry off Cows Seasonally

"Drying off" cows refers to when cows stop milking, such as when you dry off cows before breeding. Drying off cows seasonally means that you dry off all cows on the same schedule so that you can stop producing milk for a period of time. This strategy may be used in some areas by grazing operations during the winter when pasture is not available to feed the cows.

Record a "1" if the operation reporting using this practice.

Item 2 - Dairy Management Practices

This item includes parts a-k that collect data about the use of various management practices on dairy operations. Data on these practices are used to identify which practices are associated with dairy physical and financial performance.

Each of the items must be answered with either a "1" indicating YES or a dash (-) indicating an NO response.

Item 3 – Dairy Farm Security

This item includes parts a-d that collect data about the use of various farm security practices on dairy operations. Data on these practices are used to identify the extent to which various aspects of farm security are being performed on dairy operations.

Each of the items must be answered with either a “1” indicating YES or a dash (-) indicating an NO response. Report the presence of guidelines for each aspect of farm security regardless of whether the guidelines were written or not.

Item 4 – Johne’s Disease

This item includes parts a-d that collect data about farm participation in programs for Johne’s disease, practices used to control Johne’s disease, and the impact of Johne’s disease.

Item 4a – Participation in Johne’s Disease Program

Record whether the dairy operation participated in a Johne’s disease program during 2005. This refers to any federal, state, or private program. If the respondent **did not participate** in a program, record the primary reason given by the respondent for not participating in a program in part (i).

Item 4b – Vaccinating for Johne’s Disease

Record whether the dairy operation vaccinated any cattle for Johne’s disease during 2005. This refers to any cattle on the operation or any incoming cattle to the operation.

Item 4c – Testing for Johne’s Disease

Record whether the dairy operation tested any cattle for Johne’s disease during 2005. This refers to any cattle on the operation or any incoming cattle to the operation.

Item 4d – Positive Test for Johne's Disease

If any cattle were tested for Johne's disease, record whether any dairy cattle tested positive for the disease during 2005. If a positive test was reported, record the respondent's best estimate of the percentage of milk production lost that is attributed to the occurrence of Johne's disease in part (i).

Section X – Milk Marketing

A dairy farmer's net revenue per hundredweight of milk can vary with differences in milk components, milk volumes, food safety requirements, hauling charges, and buyer types. This section seeks to identify several factors that can affect revenues.

Items 1 – Volume Premiums

Some buyers in some milk marketing areas offer volume premiums for tanker-load shipments of milk from the farm. Such premiums are expressed as a payment per cwt and are noted on the milk check. Enter a code "1" if the operation received any volume premiums during 2005.

In item 1a, enter the average volume premium received, in \$/cwt, when the operation received volume premiums. Answer 1a only if the respondent entered a code "1" in item 1.

Items 2 – Pick-up Hauling Fees

Enter a code "1" in item 2 only if the hauling bill includes a fixed "stop" or "pick-up" charge in addition to a variable rate per cwt.

Answer item 2a only if the respondent entered a code "1" in item 2. In item 2a, enter the "stop" or "pickup" charge, expressed as \$/cwt of milk. You can calculate the charge by dividing the pickup charge on the milk check by the quantity of milk noted on the check.

Items 3-5 – Butterfat, protein, and other solids content

Enter a code "1" in item 3 only if milk from the operation was tested for butterfat content. Similarly, enter a code "1" in item 4 if the milk was tested for protein content, and a code "1" in item 5 if it was tested for other solids content. If the milk was tested, the milk check should record each as part of total component value.

Answer item 3a, 4a, and 5a only if the respondent entered a code "1" in corresponding items 3, 4, and 5, respectively (that is, only if the milk was tested for such components). In each case, if the milk was tested the milk check should record the test rate, expressed as percent of butterfat, protein, or other solids per cwt of milk. Enter the average value of the test percent in items 3a, 4a, and 5a.

Items 6 – Somatic Cell Count

Buyers frequently test milk for somatic cell counts (SCC). Again, test results can be found on a milk check. In Item 6, enter code “1” if milk was tested for Somatic Cell Count.

Answer item 6a only if code “1” was entered in item 6. Enter the average SCC level of your milk in item 6a. SCC levels are usually expressed in thousands on the milk check; enter them in thousands in item 6a as well.

Enter a code “1” in item 6b if the operation receives a premium or incurs a discount, based on the SCC count, on its milk check.

Answer item 6c only if code “1” was entered for item 6b. Enter the average milk premium or discount, expressed in \$/cwt, that the operation received for its SCC count. Report a discount with a negative (-) sign.

Items 7 – To Whom Milk is Sold

Ask the respondent to look at the list of buyers on the form. Enter the code (from 1 to 7) that best describes the respondent’s usual buyer.

Items 8 – Written Contract with Milk Buyer

Enter code “1” if a written agreement specifies how the respondent will be compensated for milk delivered to the buyer.

Items 9 – Forward Contracts

Enter code “1” if the buyer identified in item 7 offered forward contracts for milk during 2005 (note: the question asks whether the buyer offered forward contracts, not whether the respondent used one). For those that had buyers who offered forward contracts, ask in part a whether a forward contract was used to sell milk during 2005.

Items 10 – On-Site Processing

Some dairy farms also have dairy processing operations onsite to process milk into cheese, butter, and other processed milk products. Enter code “1” if the milk produced on this operation was also processed on this operation.

Items 11 – Food Safety Concerns

Improved tests and new scientific data are available that permit better monitoring of milk quality and safety. For example, results of the SCC (Somatic Cell Count) test indicate three things that can alter dairy supply chain revenues: ability to make cheese, amount of milk produced per cow, and the possibility of human pathogens in milk. These milk quality and safety data will be used to measure the extent to which milk buyers ask for these tests or other practices as a requirement for purchase, price premiums or discounts, or taking other actions.

In this series of questions we are asking farmers about the practices required by the buyer of their milk, or their cooperative, that concern the quality, safety, and/or purity of the milk produced. Ask whether each of the requirements listed in items a-h were used, and for those used ask if the farmer received a premium for meeting the requirement (column 2) and what the consequence was of not meeting the requirement (column 3). In some situations a farmer may not know about a requirement. In these cases code 2=don't know is available for column 1. Therefore, column 1 should always be coded as 1, 2, or 3 and never left blank. If column 1 is coded 1 "YES", columns 2 and 3 should be completed.

In item 11d include all pasteurization tests, whether they are called PI, LPC, or something else.

Conclusion

Item 1 – RFD-TV

The ARMS survey has been promoted on RFD-TV and in an effort to measure the success of the promotional effort, this question is being asked. Therefore after asking the question, enter a “1” if the respondent has heard the ARMS program discussed on RFD-TV or enter a “3” if they have not.

Item 2 – Survey Publication

After completing the interview, ask the respondent if he/she would like to receive a copy of the survey results. The Farm Production Expenditures Report will be published in August of 2006. Enter “1” for YES.

Item 3 – Ending Time

Record the ending time (military time) of the interview. If more than one person was interviewed or it took more than one appointment to complete the interview, times should reflect the approximate total time for the questionnaire.

Exclude the time you spend reviewing the questionnaire or verifying calculations by yourself after you have completed the interview. Be sure the ending time is after the beginning time entered on the face page.

Accurate reporting of interview time (beginning and ending time) is critical for monitoring and evaluating survey burden and cost.

Item 4 – Records Use

Though most farmers/ranchers have some kind of farm record keeping system, not all of them use these records in the interview. Record the response category you feel best characterizes how often the respondent's records were or were not used in the interview.

Item 5 – Type of Records

Respondents usually keep records in a level of detail that the complexity of their operation and enterprises require. However, the form these records take varies considerably across operations. Record the response category that best represents the records that were used the most during the interview, regardless of how much they were used.

A general ledger is something that can be bought just about anywhere (drugstore, bookstore, printing supply store, discount store, etc.). It can be used for any accounting application; it is not farm specific.

A formal farm record workbook or account book is created specifically for farm/ranch accounting. It is organized into categories to handle common farm/ranch accounts (seed expense, fuel expense, livestock purchases, etc.).

Administrative Items

Response Code

Upon completion of the interview, enter the response code in cell 9901 on the Back Page of the questionnaire. Response codes are:

Code 1 = **Complete** (Use for Good Reports, Out-of-Businesses, No Target Crops, and Abnormal Farms)

Code 2 = **Refusal**

Code 3 = **Inaccessible/Incomplete**

Respondent Code

The respondent code identifies the person who was interviewed. Enter the code identifying the person who provided most of the data in cell 9902.

- Code 1 = **Operator or Manager**
- Code 2 = **Operator's Spouse**
- Code 3 = **Accountant or Bookkeeper**
- Code 4 = **Someone Other than Code 1, 2, 3, or 9**
- Code 8 = **Office Hold**
- Code 9 = **Partner**

Record the respondent's name and phone number.

Mode Code

The mode code (cell 9903) identifies how the person was interviewed. ARMS Phase III completes should be by face-to-face interview unless the V5 report form was mailed .

- Code 1 = **Mail**
- Code 2 = **Telephone**
- Code 3 = **Face-to-Face**

Enumerator Name

Sign the questionnaire and record your enumerator ID number in cell 0098.

Date

Record the date the questionnaire was completed. Enter the date in MMDD06 format on the lines provided in cell 0007. For example, if the interview was completed on February 26, 2006, enter the month and day 02 26 in the date cell. The 2-digit year is already preprinted on the questionnaire.

Optional Use

Item codes 2 and 3 are reserved for your State Office use. These cells should remain blank unless your State office directs you otherwise.

S/E Name

Write your name in this box.

Thank the respondent for their time and effort.

Review the entire questionnaire before forwarding it to your Supervisor. Make sure all items are complete, including 'Yes' and 'No' boxes checked, and dashes are entered in cells when the response is 'None' or 'No' as appropriate. Make sure notes are present and complete for unusual situations.

Appendix A THE CORE QUESTIONNAIRE

VERSION 5

(AR CA FL GA IL IN IA KS MN MO NE NC TX WA WI) Only

The core questionnaire contains the basic questions from which NASS and ERS will set state-level estimates. Virtually every question in the core is either found in the version I or the versions II, III or IV questionnaire. Certain questions in the core combine two or three questions in the CRR(Version 1). However sections of the core do not always coincide with sections of versions I - IV, therefore a mapping of core questions to the respective questions from the other four versions has been created. Below you will find each question of the core questionnaire listed sequentially. The corresponding version, section and item number will tell you where to go, in the Interviewers Manual, to find the information for that question.

SECTION A – Land in Farm/Ranch

<u>Core Question</u>	<u>Corresponding Version/Section/Item</u>
Item 1	V1/A/1
Item 2a	V1/A/2a
Item 2b	V1/A/2b
Item 2c	V1/A/2c
Item 2d	V1/A/2d
Item 3	(Add items 1+2a+2b+2c+2d)
Item 4	V1/A/3
Item 5	(Subtract item 4 from item 3)
Item 6	V1/A/5
Item 7a	V1/A/6a
Item 7b	V1/A/6b
Item 7c	V1/A/6c
Item 7d	V1/A/6d
Item 7e	V1/A/6e

SECTION B – Acreage and Production

Item 1 – Crops Produced and Used on this Operation

In this table, columns one through four follow exactly the CRR questionnaire, Section B, Item 1, columns one through four. Therefore refer to those instructions for filling this table out.

Item 2 – Value of Landlords share

This item corresponds to the cost of production questionnaires (version II, III and IV), Section B, Item 2.

SECTION C – Livestock

Question 1 & 2 match the CRR(Version1) exactly.

SECTION D – Rent Paid

<u>Core Question</u>	<u>Corresponding Version/Section/Item</u>
Item 1	V1/A/9
Item 2	V1/A/10a
Item 3	V1/A/11

SECTION E Farm Income

<u>Core Question</u>	<u>Corresponding Version/Section/Item</u>
Item 1	V2/D/1
Item 2	V2/D/1
Item 3	V2/D/1a
Item 4	V2/D/1b
Item 5	V2/D/2
Item 6	V2/D/2
Item 7	V2/D/2b

Item 8	V2/D/2a
Item 9	V2/D/6a
Item 10	V2/D/6b
Item 11	V1/D/6c
Item 12	V1/D/5
Item 13	Items down through Cattle Breeding Stock is the same as V1/D/3a-1
Item 13	V1/D/3m, n, o, p
Poultry & Eggs	
Item 13	V1/D/3q
Other Animals	
Item 14	V2/C/3
Item 14a	V2/C/3a
Item 14b	V2/C/3b
Item 14c	V2/C/3c
Item 15	V2/D/4
Item 15a	V1/D/4a
Item 15b	V1/E/4b
Item 16	V2/E/1
Item 16a	V2/E/2h
Item 16b	V2/E/2a
Item 16c	V2/E/2b
Item 16d	V2/E/2c
Item 16e	V2/E/2n
Item 17	V1/E/3
Item 18	V1/A/7
Item 19	V1/A/8

Item 20a	V2/E/4a
Item 20b	V2/E/4c
Item 20c	V2/E/4e
Item 20d	V2/E/4g
Item 20e	V2/E/4l

SECTION F Operating and Capital Expenditures

<u>Core Question</u>	<u>Corresponding Version/Section/Item</u>
Item 1	V1/F/1
Item 2	V1/F/2
Item 3	V1/F/3
Item 4a	V1/F/4a
Item 4b	V1/F/4b,c,d
Item 4c	V1/F/5
Item 5	V1/F/6
Item 6	V1/F/8
Item 7a	V1/F/9a
Item 7b	V1/F/9b
Item 7c	V1/F/9c
Item 7d	V1/F/9d
Item 7e	V1/F/9e
Item 7f	V1/F/9f
Item 8	V1/F/7&13
Item 9	V1/F/14
Item 10	V1/F/15
Item 11	V1/F/16
Item 12	V1/F/17
Item 13a	V1/F/18a
Item 13b	V1/F/18b

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Item 14a	V1/F/19a
Item 14b	V1/F/19b
Item 15	V1/F/23
Item 16a	V1/F/24a
Item 16b	V1/F/24b
Item 16c	V1/F/24c
Item 16d	V1/F/24d
Item 16e	V1/F/24e
Item 17	V1/F/25
Item 18	V1/F/28
Item 19a	V1/F/29a&b
Item 19b	V1/F/10,11,&12
Item 19c	V1/F/20
Item 19d	V1/F/21
Item 19e	V1/F/22
Item 19e(i)	V1/F/22a
Item 19f	V1/F/30 & 31
Item 19g	V1/F/32
Item 19h	V1/F/36
Item 19i	V1/F/37
Item 20	V1/F/33-35&38-45

SECTION G - Farm Assets

<u>Core Question</u>	<u>Corresponding Version/Section/Item</u>
Item 1a-e	V1/G/1a-e
Item 2	V1/G/2
Item 3	V1/G/3
Item 4a	V1/G/4a
Item 4b	V1/G/4b
Item 4c	V1/G/4c
Item 4d	V1/G/4d
Item 4e	V1/G/4e
Item 4f	V1/G/4f
Item 4g	V1/G/4g
Item 4h	V1/G/4h
Item 6	V1/G/5

SECTION H - Farm Debt

This section matches identically to Section H (Farm Debt) of the COP questionnaires (Versions 2,3,4). Refer to that section of the interviewers manual for instructions.

SECTION I – Farm Management and Use of Time

<u>Core Question</u>	<u>Corresponding Version/Section/Item</u>
Item 1	V2/I/1
Item 2	V2/I/7
Item 2a	V2/I/7a
Item 3	V2/I/4
Item 4	V2/I/5
Item 5	V2/I/6
Item 6	V2/I/27
Item 7	V2/J/5
Item 8	V2/J/4
Item 9	V2/J/2
Item 10	V2/J/3
Item 11	V2/I/3
Item 12	V1/J/8
Item 13	V2/J/7
Item 14	V2/I/23
Item 15	V2/I/14
Item 15a	V2/I/14b
Item 15b	V2/I/14c
Item 16	V2/J/16
Item 16a	V2/J/17
Item 16b	V2/J/18
Item 17	V2/J/6
Item 17a	V2/J/6a
Item 17b	V2/J/6b
Item 18	V2/J/6
Item 18a	V2/J/6a
Item 18b	V2/J/6b
Item 19a	V2/J/14a

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Item 19b	V2/J/14c
Item 19c	V2/J/14a
Item 19d	V2/J/14c
Item 20a	V2/J/14b
Item 20b	V2/J/14d
Item 20c	V2/J/14e
Item 20d	V2/J/14f
Item 20e	V2/J/14g
Item 20e(i)	V2/J/14g(i)
Item 20f	V2/J/14h & i
Item 20g	V2/J/14j
Item 21	V2/J/22
Item 22	V2/J/23
Item 23	V2/J/24
Item 24	V2/J/21
Item 25	V2/J/19
Item 26	V2/J/20

SECTION K - Farm Type

<u>Core Question</u>	<u>Corresponding Version/Section/Item</u>
Item 1	V2/A/12
Item 2	V2/Conclusion/1

From the State Office staff and Headquarters personnel in Washington, D.C., THANK YOU for your continued dedication in the collection of agricultural statistics of the highest quality!!!